



**PSAM9**

# **Risk Management – An Essential Strategy for Business Success**

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# 1. A Risky Business



# 風 險

Wind Danger

**Blaise Pascal**

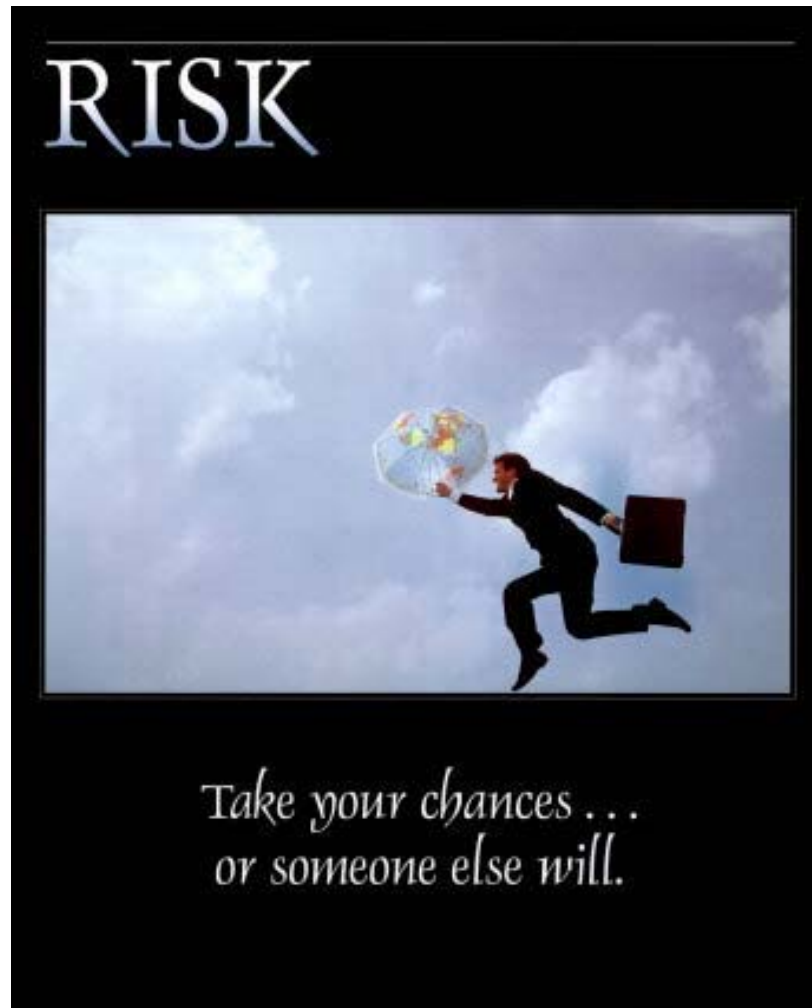


**Pierre de Fermat**



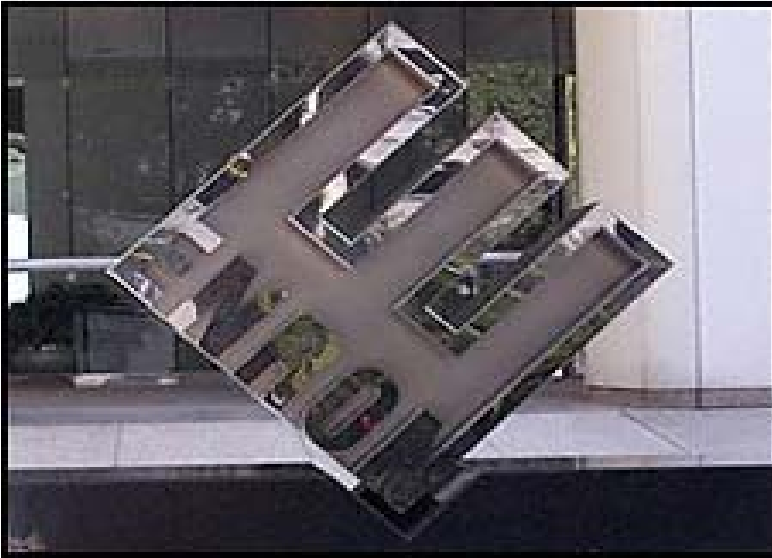
**“Should one bet on the event that  
within 24 rolls of a pair of dice,  
at least 1 pair of double sixes would turn up?”**

**There is no business without risks,**



**but risks must be managed.**

# Business Downfalls



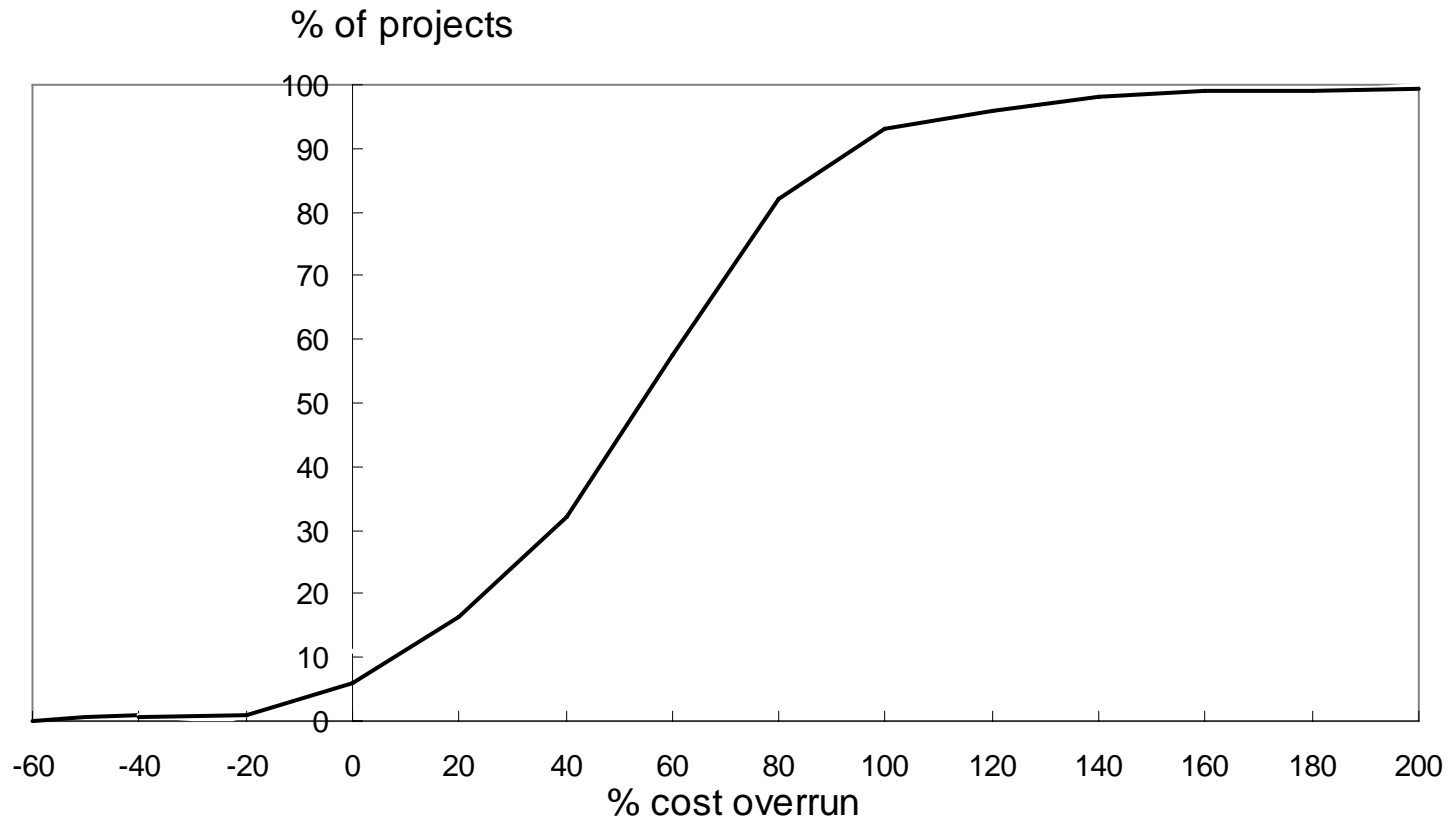


# Railway business



**can be a risky business**

# % of Railway Projects that suffered Cost Overruns



## 2. Proactive Risk Mindset





# Proactive Risk Mindset

## Tsunami - Thailand



**Bill Clinton & Tilly Smith**

# Corporate Governance



**Sarbanes - Oxley Act**

**DJSI**

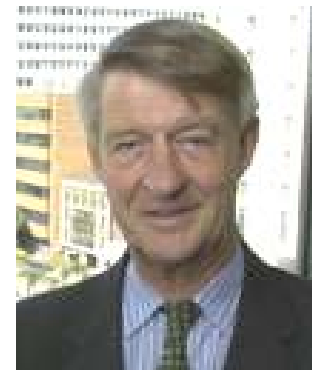


**FTSE4Good**

**Corporate Sustainability**



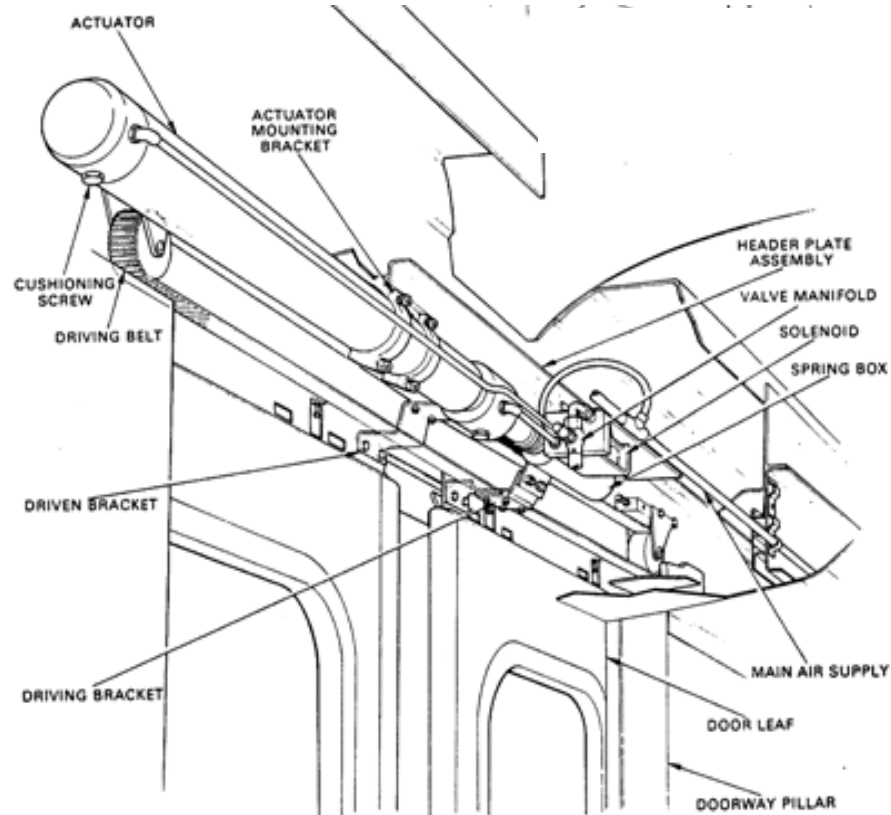
**HKEx Code on Corporate Governance Practices**



**Turnbull Code**

***Is a proactive risk mindset cultivated among the non-risk experts you work with, and if not why not?***

# 3. Pragmatic Risk Management Processes



## 1<sup>st</sup> MTR HAZOP – EMU Door System



# Progressive system development



**Safety** 92

**Service**

**Security** 98

**Environmental** 99

**Project** 01

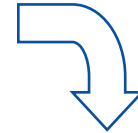
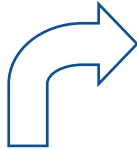
**Out-sourcing** 02

**Asset Management** 04

**05 Enterprise Risk Management**

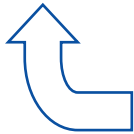
# Always apply simple process

**i. Risk Identification**

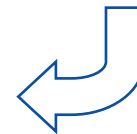


**iv. Risk Monitoring & Reporting**

**ii. Risk Evaluation**



**iii. Risk Mitigation**



***“Simplicity is complicated”***

***Does the organisation you work for operate a simple and effective system that will encourage rather than deter the application of common sense risk management?***

## 4. Integral Part of Decision Making



“Those who triumph compute at their headquarters a great number of factors prior to a challenge. Little computation brings defeat. How much more so with no computation at all!”

- *Sun Tzu c. 490 BC, Chinese military strategist*



# Safety Risk Management

As Low As Reasonably Practicable (ALARP)

Principle

R1

Must be reduced save in exceptional circumstances

R2

Must be reduced if it is reasonably practicable to do so

R3

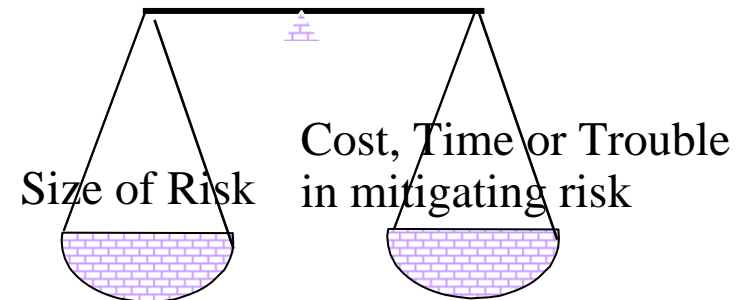
Tolerable but should be further reduced if it is cost effective to do so

R4

Acceptable

High Risk

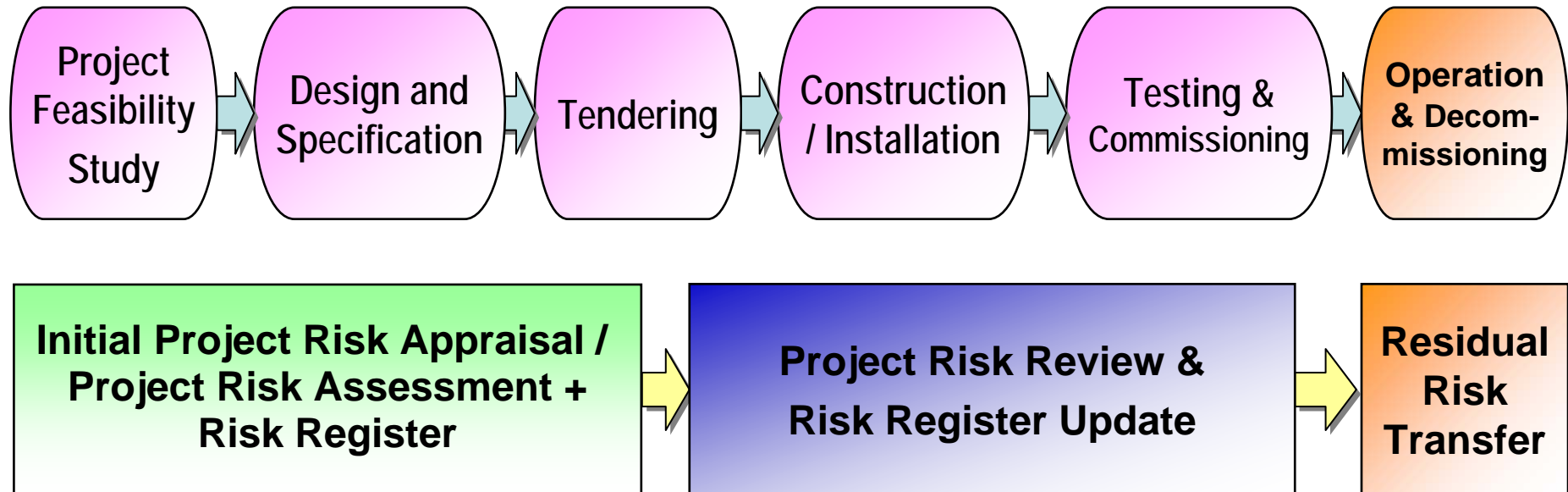
ALARP Region



Low Risk

# Project Risk Management

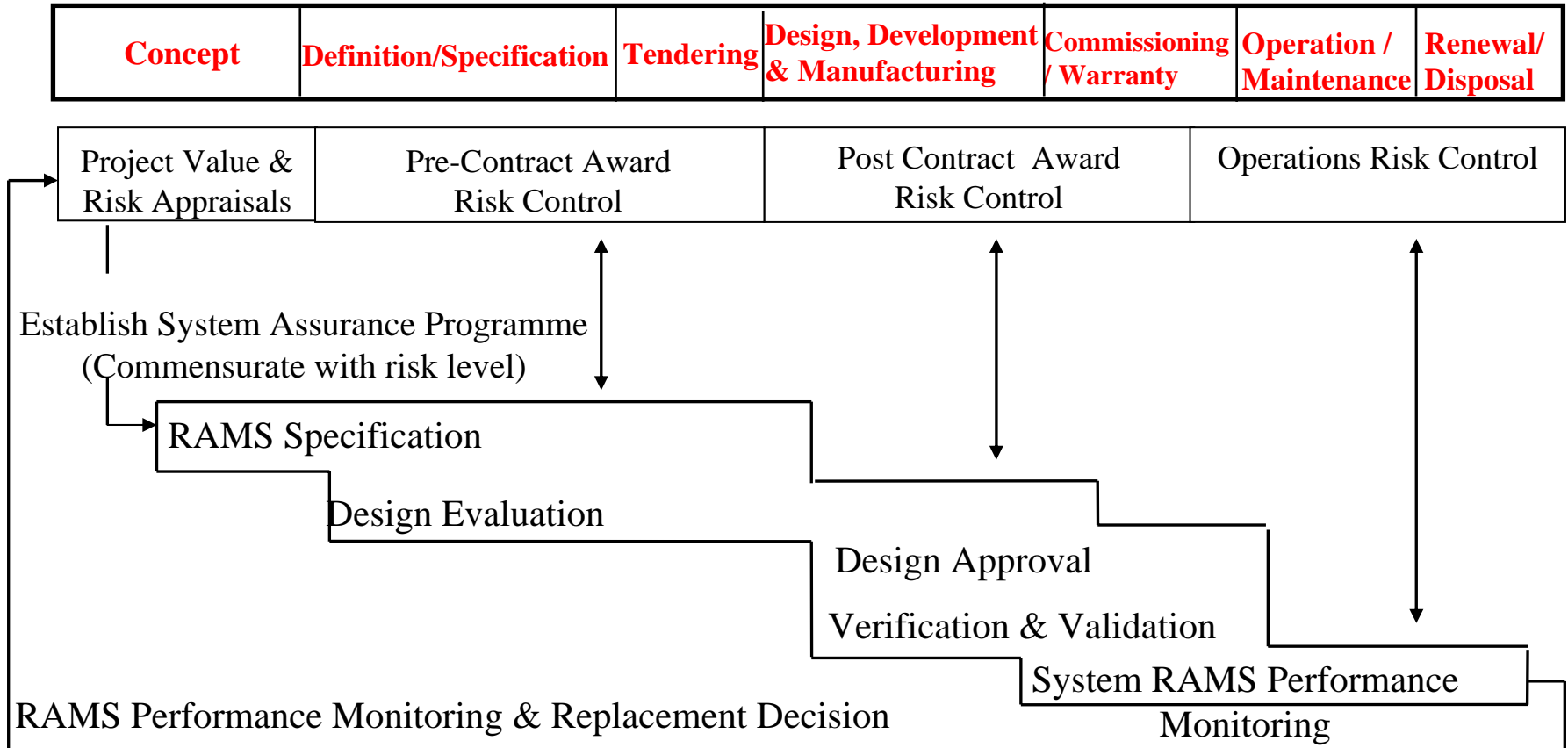
## Life Cycle Process



# Service Risk Management

Criticality Rating	Definitions	Line Disruption	Station-wide Disruption
C1	Significant loss of revenue; high public attention; customer will make serious complaints	A few hours	1 day
C2	Some loss of revenue; medium public attention; customers will likely make complaints	> 20 ~ 60 min	A few hours
C3	Marginal loss of revenue; limited public attention; customers may feel mild frustration	≥ 5 ~ 20 min	≥ 5 ~ 20 min
C4	Insignificant loss of revenue; no public attention; customers can normally tolerate	2 ~ < 5 min	2 ~ < 5 min

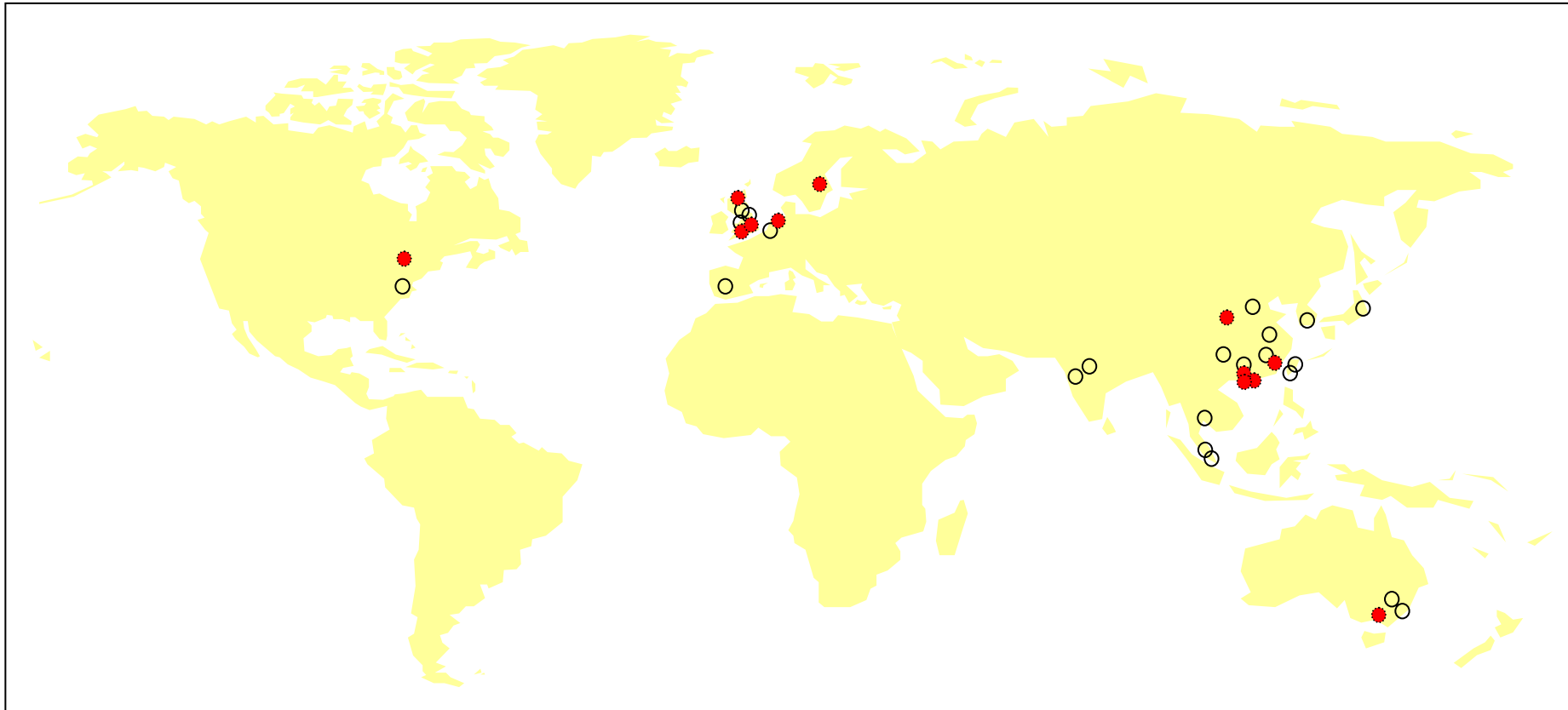
# Risk-Based Integrated System assurance Framework



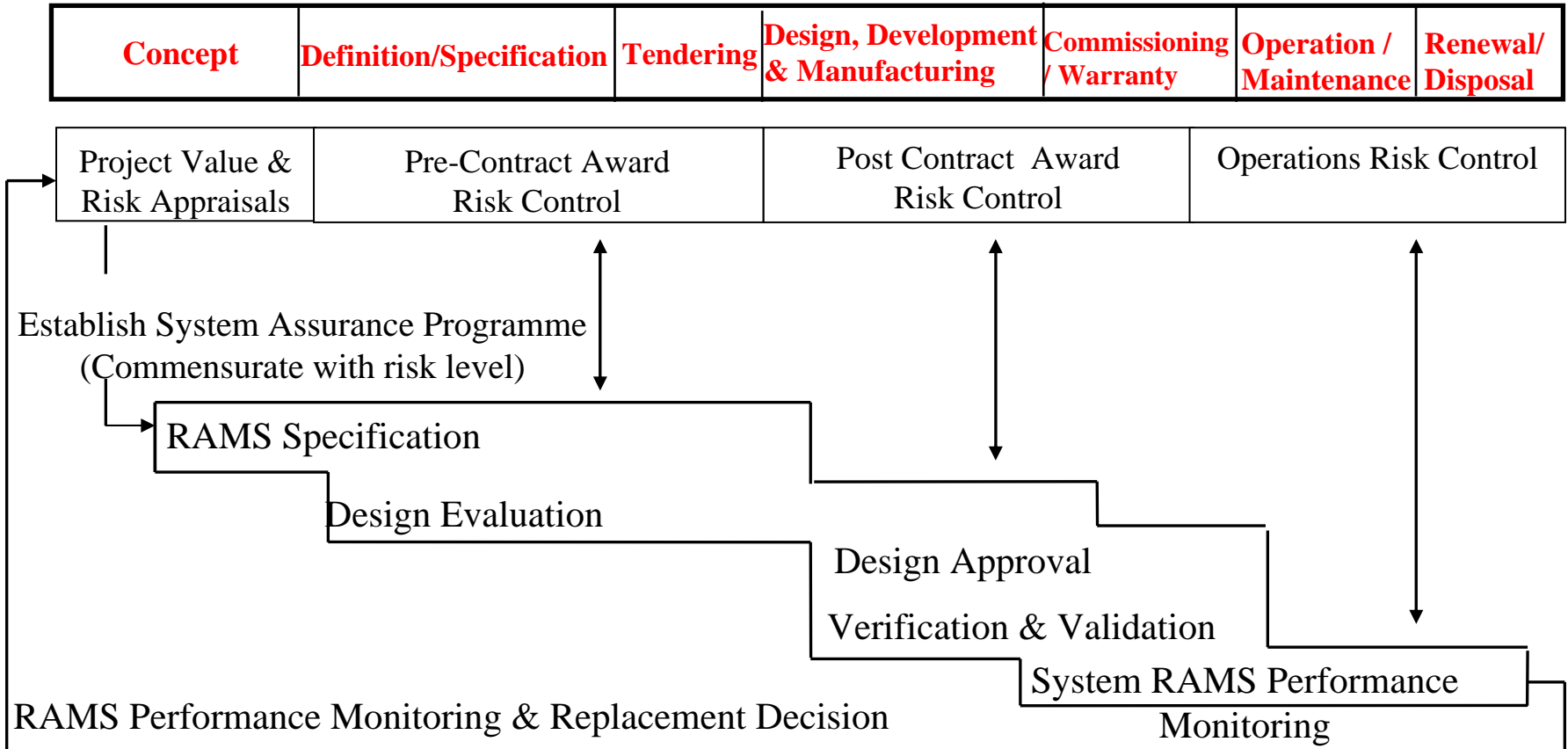


# Risk-Based Integrated System assurance Framework

Tested and tried; Applied worldwide



# Risk-Based Integrated System assurance Framework



***Has your organisation enabled all decision makers with risk competency and a system of support?***

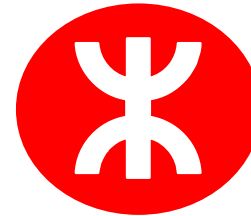
# 5. Bottom Line Driven

## Non Financial Bottom Lines

Safety



Reputation/  
Brand name



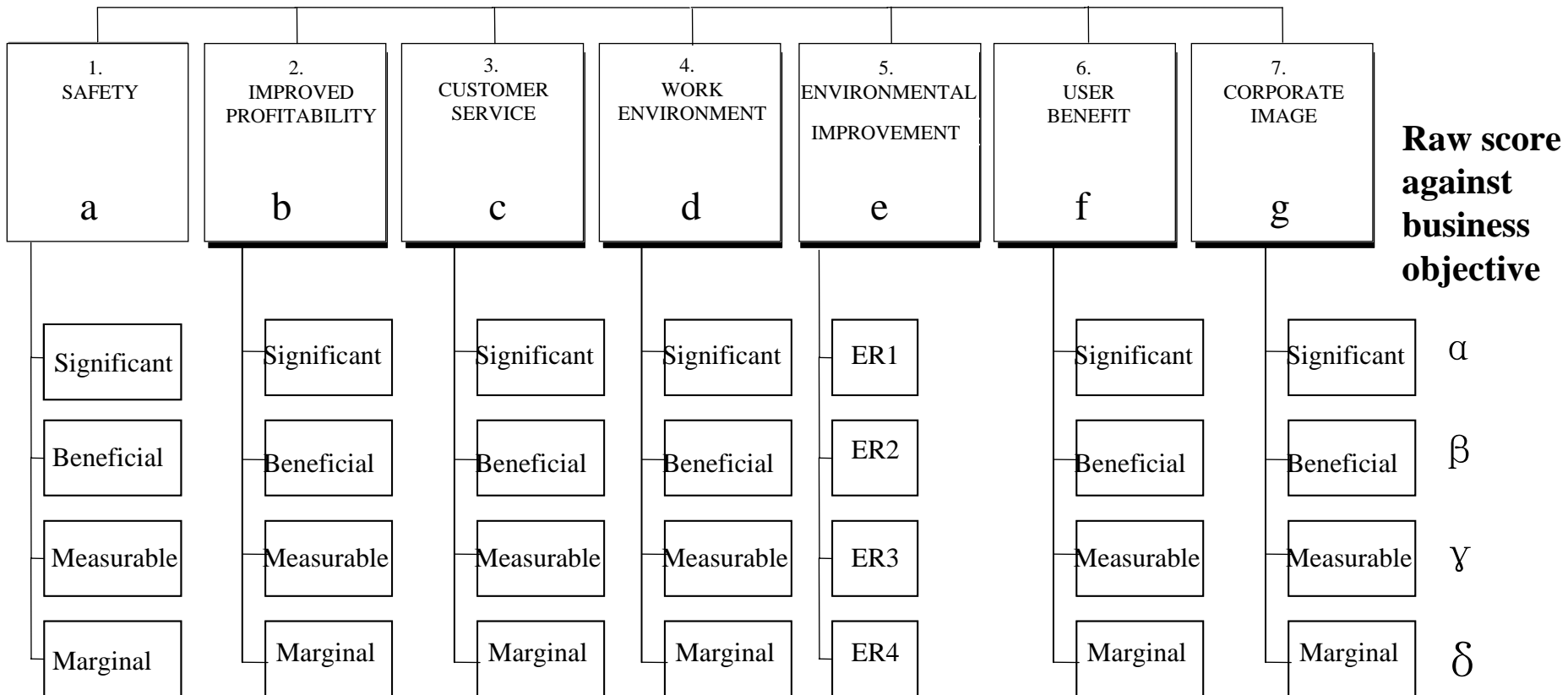
Customer service



Political



# Value Assessment System



# Value Assessment System

- Prompts more consideration for
  - value for money
  - relevance to business objectives
  - alternative solutions
- V1 -V4; V1 being very high value project
- Safety carries high score



***Will your effort in developing or applying risk processes support business success?***

## 6. No Sitting on the Track

**“Even if you are on the right track,  
you will get run over if you just sit there.”  
- Will Rogers**



## These questions need to be answered if you are to be heard

- ***Proactive risk mindset cultivated among the non-risk experts?***
- ***Simple and effective system that will encourage rather than deter the application of common sense risk management?***
- ***Decision makers enabled with risk competency and a system of support?***
- ***Risk processes support business success?***