

MEASURING AND MANAGING RISK – HELP FROM ISO 31000

EACH TIME A manager takes a decision, it involves risk management, consciously or not. Those decisions are informed by a multitude of sources, from reasoning or emotional processes, intuitive decision making or structured approaches, explicit assumptions or tacit assumptions, or using an embedded risk management methodology. Risk management, as addressed in ISO 31000, provides a way of ensuring an advanced, more transparent decision-making technique.

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Typically the decision-making techniques people use in everyday life include:

- Pros and cons: listing the advantages and disadvantages of each option, popularised by Plato and Benjamin Franklin
- Simple prioritisation: choosing the alternative with the highest probability-weighted utility for each alternative
- Satisfying: using the first acceptable option
- Acquiesce to a person in authority or an “expert”, just following orders
- Flipism: flipping a coin, cutting a deck of playing cards, and other random or coincidence methods
- Prayer, tarot cards, astrology, augurs, revelation, or other forms of divination.

However, for those who wish to have greater control – and perhaps understanding – more rigour is needed. ISO 31000 enables a shift from compliance-driven risk management, to practising performance-driven risk management.

The standard provides an “umbrella” for more than 60 recognised standards and guidelines that refer to risk management (according to the European Committee for Standardisation, CEN). Despite being labelled as an ISO standard, it is purely a set of guidelines. There is no legal requirement for its application and it is specifically not intended for certification.

It carries with it a globally-applicable risk management reference guide (ISO Guide 73) with a generic three-pillar architecture (including principles; framework; process), and a risk management terminology (tree-structure).

The principles address the issue of risk management purpose and objectives. The framework establishes the mandate and commitment at senior management and board levels. It also requires a description of the internal and external organisational contexts. The process describes the implementation of risk management at the business unit level for day-to-day activities of “risk assessment” and “risk treatment”.

It can apply to any activity or domain in any organisation – public or private – and will supplement or replace a variety of independent, national risk management standards.

THE HUMAN FACTOR

Addressing human factors is at the core of risk management. Human factors are a vital and often overlooked element of daily risk management let alone crisis response and learning. From poor understanding of roles and responsibilities through to risky actions in working practices – the actions and assumptions of all levels of organisation need to be rehearsed, tested and reviewed.

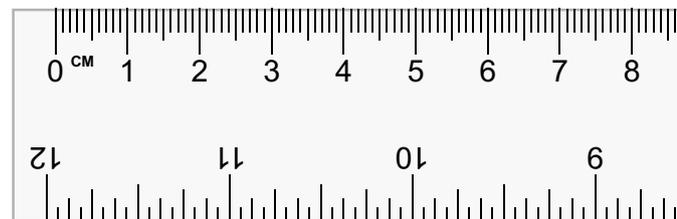
Understanding and managing people is a key risk management competency. People are an organisation’s greatest asset and yet they are often also the greatest liability.

HOW DOES ISO 31000 HELP?

A consideration of human factors assisted by ISO 31000 should be incorporated into your risk management practice.

As the call for a public debate on risk gathers momentum, tools like this will become increasingly important. The potential of ISO 31000 to contribute to this debate is significant in part because it provides the opportunity for continuous improvement through the iterative process and feedback loops/opportunities for “lessons learned” at each stage in the process. Furthermore it is a useful communication tool about both the organisational context and scope of risk management.

FOR MORE INFORMATION, SEE THE G31000, WWW.G31000.ORG, AND THE ISO 31000 LINKEDIN GROUP



HOW ISO 31000 IS RELEVANT TO HEALTH AND SAFETY PROFESSIONALS

Dr Mills Hills, senior lecturer in global strategy, Coventry Business School

As an overarching guide and set of principles, ISO 31000 provides health and safety professionals with a toolkit to enhance and strengthen their entire risk management system. In skilled hands, it should also encourage the integration of the rational and proportionate consideration of health and safety issues into corporate risk assessment and mitigation. This approach will allow health and safety professionals to effectively understand which business critical risks must be avoided to ensure that the overall health of the business is not

affected either in terms of profitability, reputation or liability exposure. It could also be said that ISO 31000 could contribute to the professionalisation of and increased credibility in the work and standards of those responsible for health and safety in any organisation, large and small – public or private.

The First International conference on the ISO 31000 Risk Management Standard presents a panel of leading speakers; to be held in Paris, France, 21-22 May 2012. A discount of 10% using the priority code L10A66 is offered during registration at: www.G31000conference2012.org