



performance in uncertainty

Enterprise Risk Management
for Government 2016

Embracing Uncertainty

*Best practice risk management
for 2016 and beyond*

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***What we don't know
doesn't worry us
– even if it should!***



***Sometimes a
different
perspective
would help!***



What is risk management really about?

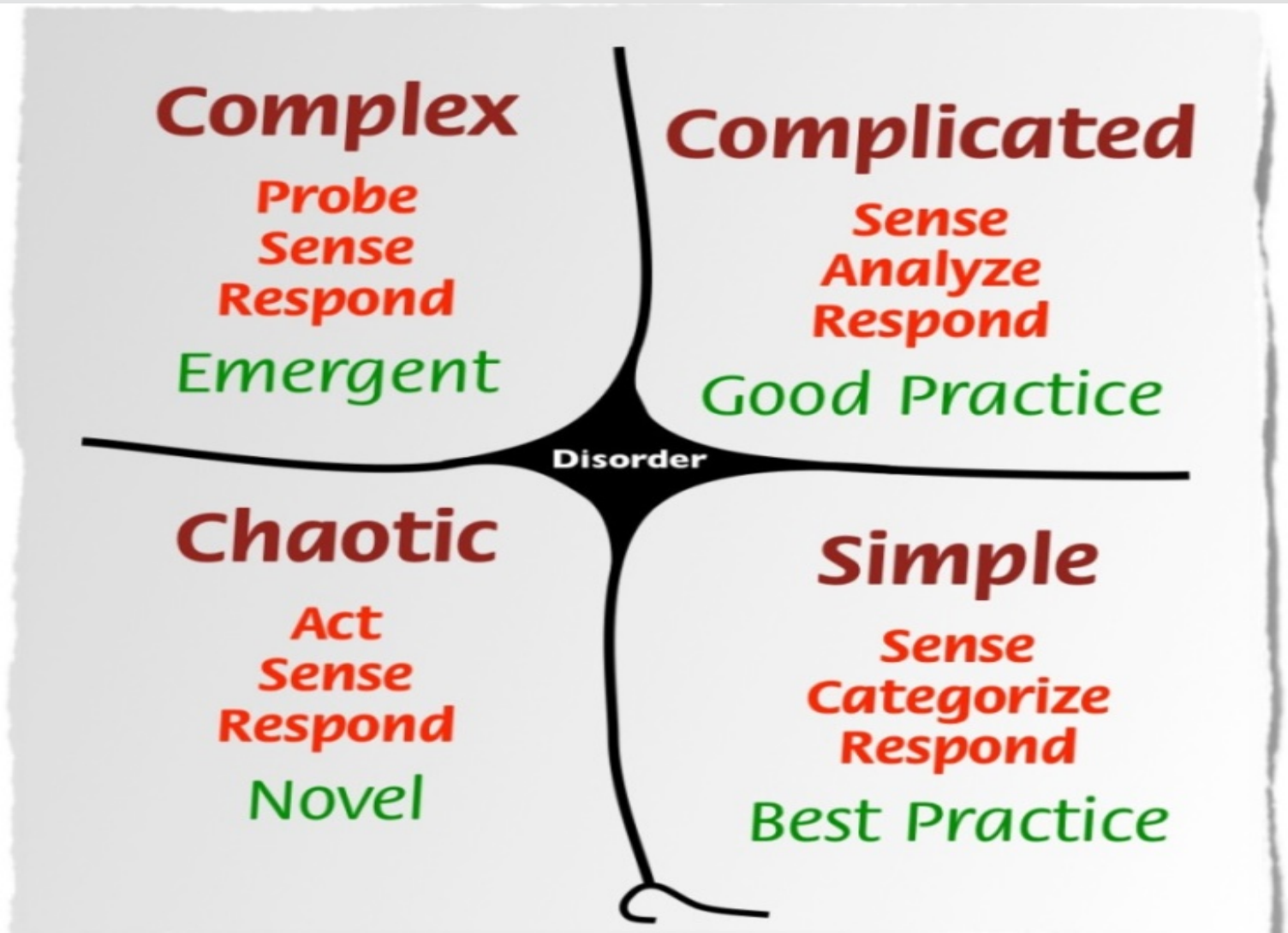


The purpose of risk management is to ***enable decisions that lead to the best possible outcomes*** in the face of uncertainty.

It achieves this by ensuring that leaders and decision makers understand the nature of the uncertainties faced and the best responses available for them to maximise performance and outcomes.

Our risk management environment

Cynefin Framework (Dave Snowden)

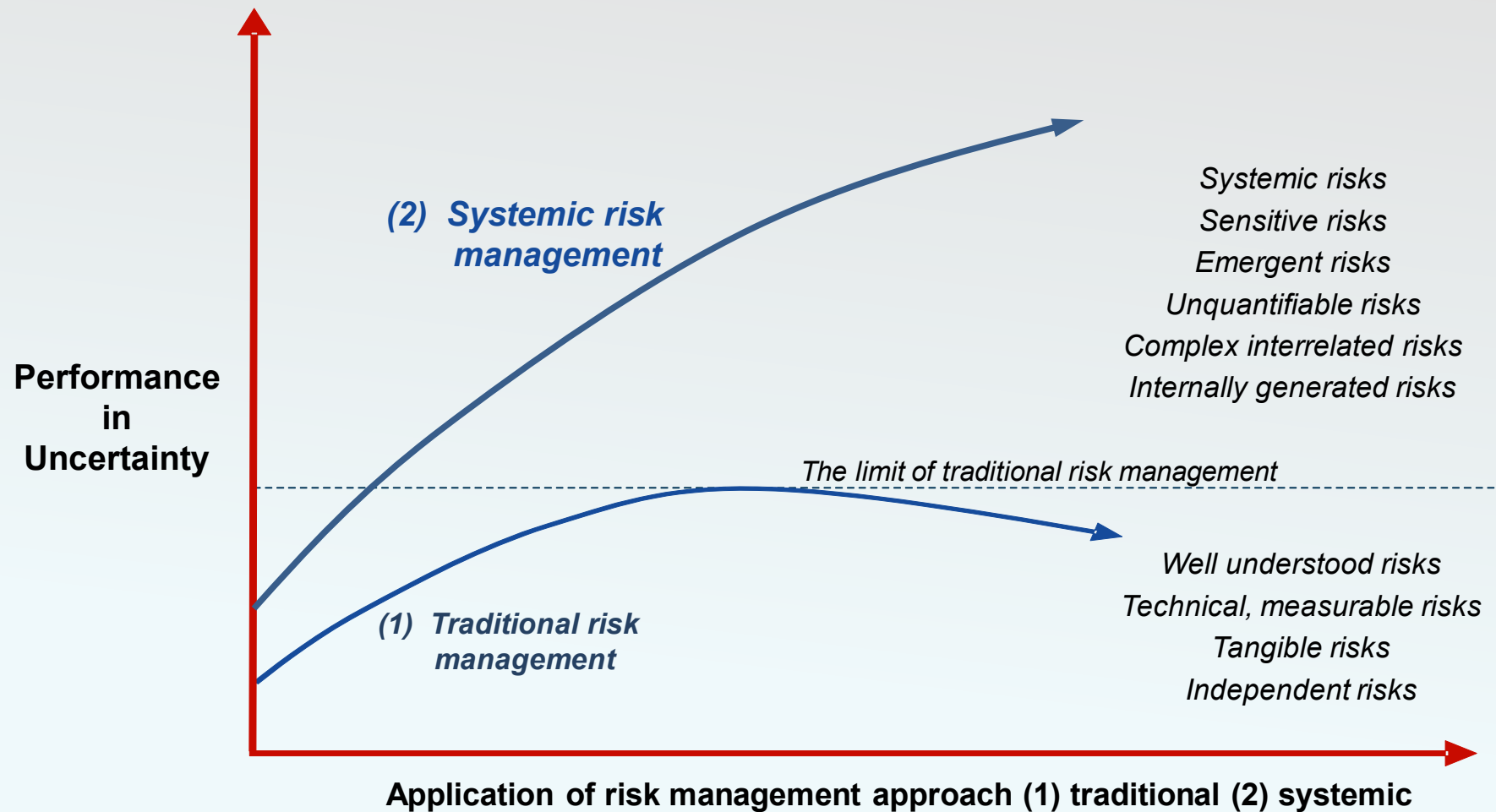


Assumptions

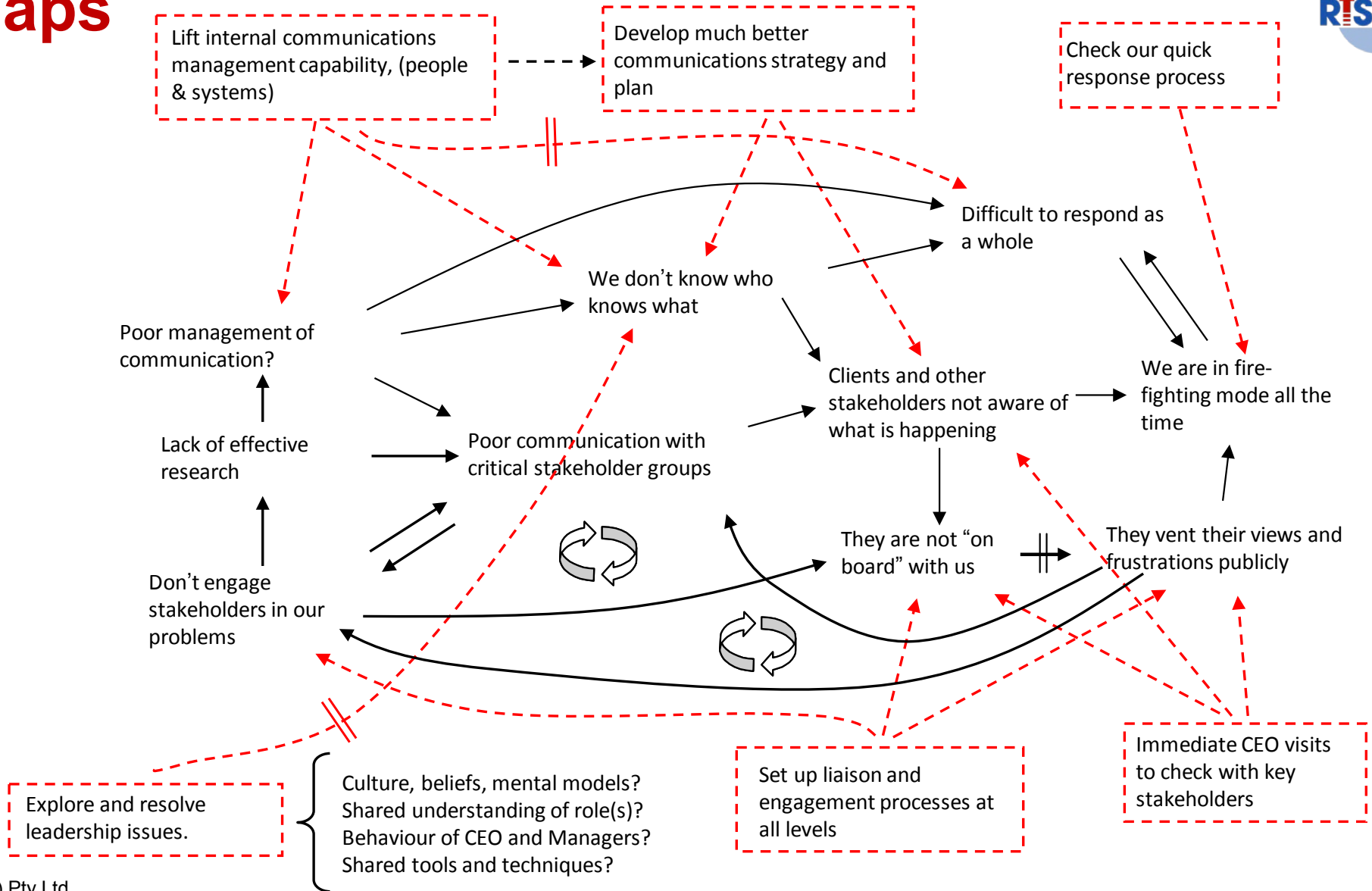


- Assumption 1.** Risk management is a means to an end. The underlying objective is to make good decisions in the face of complexity and uncertainty.
- Assumption 2.** Culturally, most people understand the word 'risk' as negative.
- Assumption 3.** The aim of every leader should be to achieve the best possible outcomes to purpose.
- Assumption 4.** The risks that impact most powerfully upon the success of organisations are often complex, intangible, interrelated and even 'wicked'.
- Assumption 5.** Many important risks are too sensitive to be dealt with openly.
- Assumption 6.** Every organisation faces important risks that are not in its risk register.

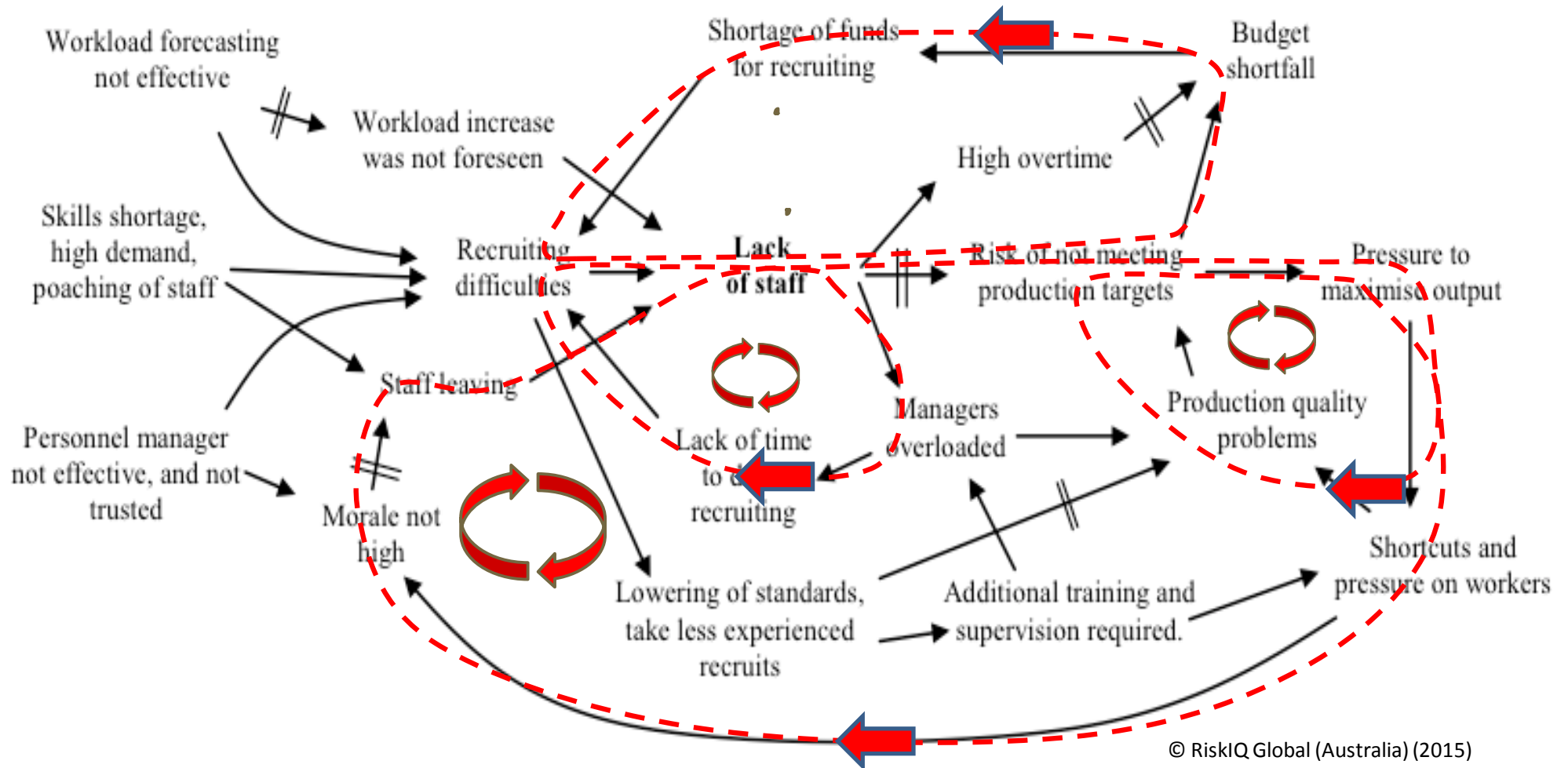
Systemic risk management is the key



Risk maps



The critical role of feedback



Dealing with risk interrelationships



Risk Relationship Matrix			Date: 17-Aug-15			Name: MSH									
				Complex changing environment	Variable quality of legislation	Inconsistent organisational leadership	Lack of balance between short and long term work	Difficulty in ensuring right people, roles, skills	Inadequate, variable business systems	Inadequate clarity and completeness of direction for MSH as a whole	Risk aversion, avoidance of change	ROE is poorly defined and is operationally driven	Poor communication/ shared understanding		
Note: Instructions for use are in the form of comments in cells															
			ID:	1	2	3	4	5	6	7	8	9	10		
ID	Description	Key drivers (sources, reasons)		1	8	10	13	5	12	11	10	11	14	0	0
1	Complex changing environment	<ul style="list-style-type: none"> Multiple programs (mines, gas) Diversity of size and agendas of organisations Change - political, technology, industry practice Lobbying, agendas, relationships 	7		2	1	1	1	1				1		
2	Variable quality of legislation	<ul style="list-style-type: none"> Pace of change in standards and practice Slowness of getting political agreement and action Difficulty in getting simple, clear language in place Differing national agendas and legislation 	5				1		1	1		1	1		
3	Inconsistent organisational leadership	<ul style="list-style-type: none"> Lack of training, skills, tools Workload Confusion of feedback, messages, requirements History of acceptance of silos 	15		1		3	1	2	2	2	2	2		
4	Lack of balance between short and long term work	<ul style="list-style-type: none"> Government and press focus on here, now, crises Shortage of resources and skills for analysis of trends etc Safety focus is easier to deal with in the workplace 	5		1			-1	1		1	2	1		
5	Difficulty in ensuring right people, roles, skills	<ul style="list-style-type: none"> Complexity of range of technologies (eg in gas) Shortage of people - need for multitasking Local areas have differing (and diverse) needs Difficult to pay enough to attract the level of experience needed 	8		1	2	1		1	1	1		1		
6	Inadequate, variable business systems	<ul style="list-style-type: none"> History of silos, duplicated systems Costly to update systems, cost of new IT Lack of simple, effective system design approach Lack of clarity, completeness of direction 	12		1	1	2	1		2	1	2	2		
7	Inadequate clarity and completeness of direction for MSH as a whole	<ul style="list-style-type: none"> Ad-hoc documentation of key policies Historical silos and belief that they work okay Belief that the whole enables the silos, not the reverse Workload - 'just do it' 	15		1	2	2	1	2		2	2	3		
8	Risk aversion, avoidance of change	<ul style="list-style-type: none"> Belief that good work does not protect people from being scapegoats Lack of clarity of direction for making judgements Perceived lack of support from leaders 	7			1	1		1	1		1	2		
9	ROE is poorly defined and is operationally driven	<ul style="list-style-type: none"> It is hard to define ROE and how to assess it Focus on operations (getting things done) Silos - limiting any interest in shared agreement 	12	1	1	2	1	1	2	2	1		1		
10	Poor communication/ shared understanding	<ul style="list-style-type: none"> Leaders not communicating messages Differences of intent, silos, .. Workload Lack of clarity of roles of leaders 	9			1	1	1	1	2	2	1			
			0												
			0												

Patterns are powerful



RISK TREATMENT PATTERN ANALYSIS			Name: NAHC																
Basis of Filters Used:			Evolving							Date: 17-Aug-15									
			Pattern Filters																
Risk No	Treatments	Stakeholder engagement	Integrated Business Systems	Change Mgt	Leg. update	Ext Dir	Ext Educ	Del Mgt	Lift L'ship	Focus on Perf	Strategy Policy Direction	Strat Impl	Quality mgt	Wkfce Plang	Impr Recr	Int Educ & Trg	ROE Defn etc	Comm	
	TOTAL	2	10	1	2	2	1		7	5	7	8	6	2	1	1	1	1	
1	Focus on “stakeholder engagement” capability	1	1																
1	Put more resources into driving adaptation/ change both to legislation & internally			1	1														
1	Update guidelines more often					1													
2	Update guidelines more often					1													
2	Increased emphasis on education etc	1					1												
2	Increase the resources involved in monitoring and changing legislation				1														
3	Education/training in organisational leadership								1										
3	Apply a few key leadership disciplines		1						1										
3	Focus on better performance leadership								1	1									
4	Develop and implement a clear strategy to manage the balance between short and long term										1	1							
4	Reflect the balance in KPI (and monitor)									1	1	1							

Four themes emerge:

- Integrated business systems
- Leadership disciplines
- Clear strategic context/direction
- Quality and performance management

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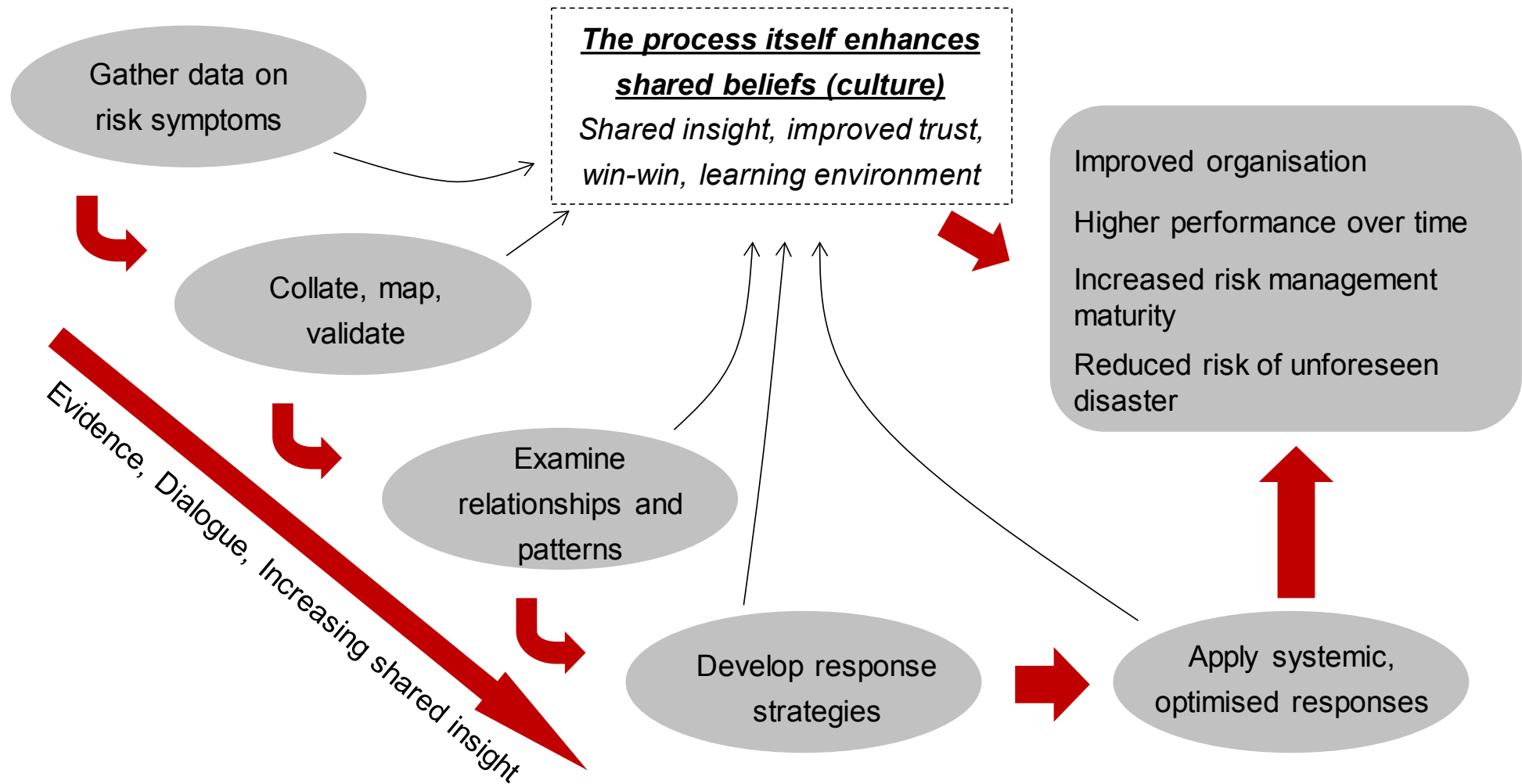
Integrated business systems

Leadership disciplines

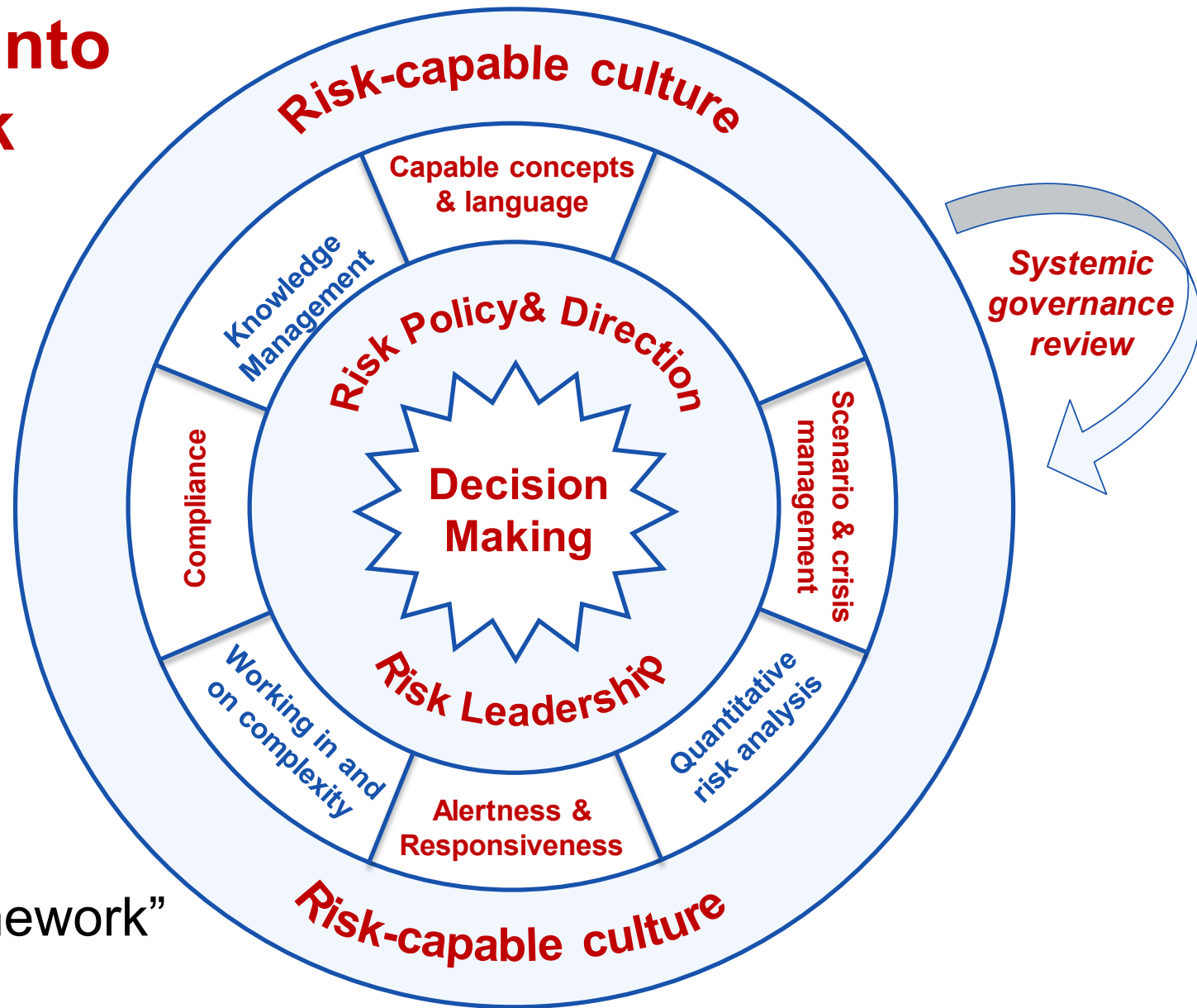
Clear strategic context/direction

Quality and performance management

Systemic (risk) analysis is core capability



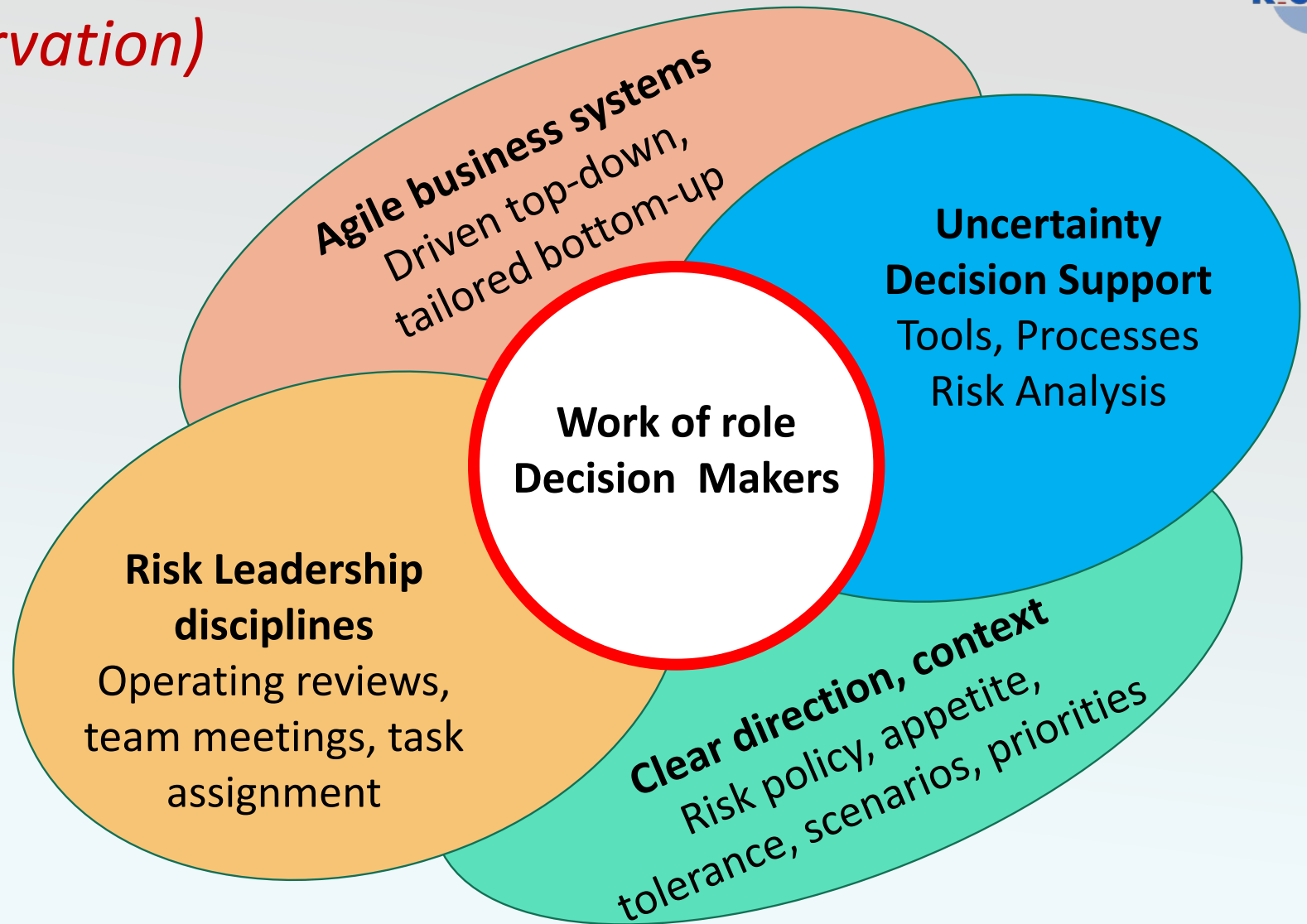
Integration into a framework



RiskIQ's "Risk Leadership Framework"

Enterprise Risk Management System

(Dept of Conservation)



Key Insights



Decision making in an uncertain world is the point, not risk management.

The impact and value of ERM is determined by whether it enables leaders to deal with complex, hidden, sensitive risks.

An effective risk management framework should be visible only through the support it provides to core work.



Questions