Leading from the ground up

For new or renewing leaders

Operations and risk

Risk can be viewed two ways. Economically it viewed as the various possible outcomes from a course of action. In other contexts it is viewed as exposure to possible loss or harm. Leaders have to consider both and how they can affect people, operations, or organisational success. Here we look at some basic approaches to risk and some common risk areas they address.

A generalised risk management process

Identify threat or unknowns
Whether preventing harm or being ready for unknown possibilities, we need to identify what could happen that we have to deal with.

Evaluate and plan
We evaluate the risk, paying particular attention to the highly likely and high severity possibilities. We plan how to deal with them.

Act and manage risk
Apply the plan. Align people, resources, and leadership. Make responsibilities clear and match them to people's capability.

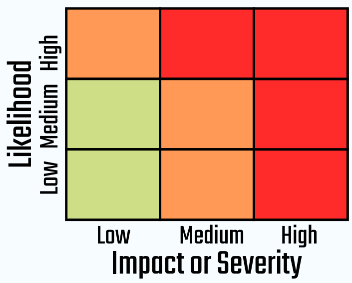
Monitor and review effectiveness
Monitor the effectiveness of the plan and improve it as needed. Keep using the process, keeping your risk profile current.

This is a generalised process that can be used for harm avoidance and dealing with unknown futures. Your organisation will have its own processes for different risk requirements, especially for work place health and safety. Remember, managing risk is a continuous, cyclical process.

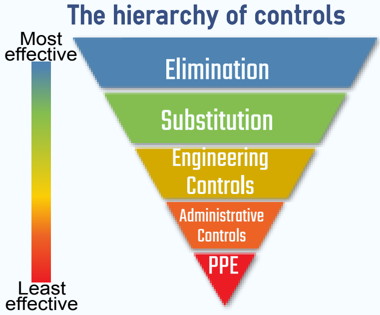
Common tools

These two frameworks are well established for risk management, especially for workplace health and safety. It is important to become familiar with them and other policies and tools used by your organisation.

The risk hazard matrix



The hierarchy of controls



Key areas of risk with some examples

People and safety
- WHS systems & practices
- Currency of qualifications
- Supervisory practices
- Diversity, respect & anti-discrimination
- Recruitment & selection
- Professional development
- Code of conduct compliance

Physical assets
- Specifications & acquisition
- Maintenance processes
- Life cycle & replacement
- Use & misuse
- Theft & vandalism
- Weather & natural events
- Obsolescence & emerging technology & standards

Clients, products & services
- Commitments & contracts
- Fair trading
- Privacy & confidentiality
- Product & service quality
- Marketing & advertising
- Warranties & liabilities
- Brand & reputation
- Customer service

Disruption & system failure
- Business continuity plans
- Supply chain & resources
- ICT outages
- Policy & regulation changes
- Corporate knowledge
- Cyber attack & breaches
- Criminal events
- Natural & health events

Process & delivery
- Design of processes
- Missed delivery schedules
- Loss & harm to client's person, assets or interests
- Data & production errors
- Mismanagement & negligence
- Monitoring & reporting

Integrity & fraud
- Misrepresentation
- Misappropriation of assets
- Competition & anti-competitive practices
- Bribery & vendor collusion
- Destruction of records
- Accountancy practices
- Forgery & theft

Tips and tricks

Risk and fear
Risk and fear differ. When fear is triggered, we can start to infer risks that aren't there. Check for evidence or reasonable grounds for concern so you are not distracted from managing priority risks.

Personality
People approach risk differently. Some are thrill lovers, others are risk adverse, and many believe luck will favour them. These can affect how you need to engage people to manage risk.

Make use of bias
Everyone has their bias for interpreting things. Collaborate with others so their ways of thinking help you to examine an issue from different perspectives.

Balanced thinking
Groups can fail if they go to the extremes of 'analysis paralysis' on one hand or 'extinction by instinct' on the other. Balancing evidence, thinking and action is important.

Scenario planning
Business risk is about unknown futures. You can use scenario planning to ask 'what if' for different paths that could occur.

Fixed budget risks
Fixed budget services, such as not for profits, can be at risk of being swamped. Demand management strategies can be useful for this risk.