9.3 Cluster 2: Risk management procedure and the role of risk management office

Successful

A risk management procedure is successful when inclusive, that is, when implies cooperation between risk management unit/office and the rest of involved employees, among which the risk owners in particular play an important role. Moreover, such a procedure should clearly detect and disclose the different roles and responsibilities, also envisaging a proper risk escalation[1] as well as defining the responsibilities for treatment in case of a risk impact on different processes (cross-cutting risks), and avoiding duplication of roles/functions within the Risk management process. Cooperation with Internal audit and Quality management is a relevant key for success, because of their valuable contribution to the whole process (see infra Area 3 - Integration).

Quality in a risk management procedure can be measured through the process tracking (detection of stages, deliverables, documents) and above all through its flexibility, intended as adaptability to the organizational context and related changes. Actually, if a procedure is too rigid it can harness the organization, thus lowering its potential.

Another task for a risk management procedure is defining the role of risk management unit/office consistently with tasks and goals designed by the mandate and risk policy. The unit/office must be formally embedded in the organization as well as formally allowed to act independently and to receive proper support (in terms of human and financial resources). Creation of a centralized office acting through a network of contact persons in order to maintain coordination seems to be the best choice. The risk management unit/office offers support and advice on Risk management to the risk owners who undertake risk management activities, being directly accountable for them.

The importance to keep a central coordination is also linked to the need to supervise cross-cutting risks impacting on different projects or processes, although such coordination is not easy to achieve.

Difficult

The main problem with a risk management procedure is flexibility, that is, adaptability to the organizational context, because it is not easy to balance prescription of steps with allowing people to adapt to the circumstances.

Another problem is to decide which risk management process phase is the right one to reconcile senior management and program management views, integrating top-down and bottom-up approaches. On the one hand, the senior managers consolidate bottom-up risks and define treatment priorities; on the other hand, the program managers cascade treatment actions through a detailed and viable planning.

Not to do

In drafting a procedure, it is not advisable:

a) Failing to consult customers across the organization about how the procedure can benefit them, and without a clear delivery timetable;
b) Completing stand-alone templates not linked to other documents (i.e., operational, financial and quality management planning);
c) Becoming overly focused on risk management documents losing sight of the importance of embedding the risk management approach into the daily work programming.

In creating a risk management unit/function, it is not advisable:

a) Assigning resources to the risk management unit/function that are not enough, in quality and/or quantity, with reference to the unit/office’s objectives;
b) Duplicating the units/functions that give support to risk owners and supervise the Risk management process;
c) Failing to locate the risk management unit/function in a key place within the organizational chart.

[1] Risk escalation is the process of leading back risk treatment from a lower level of responsibility to a higher one. (i.e., from project to programme to portfolio)