9.4 Cluster 4: Risk management process

Risk identification

One of the best keys for a successful risk identification consists in involving all risk owners and internal as well as external stakeholders – first of all the Top management – to attend workshops on a regular basis. The workshops’ task is to identify the main topic areas and within them, the risks. The SWOT analysis can be a sound tool to examine the NSOs’ external and internal context and then facilitate brainstorming, because it helps detect the organization’s strengths and weaknesses, as well as any possible threats and opportunities.

During the identification phase, the role of quality management team is crucial because, from the periodical quality audits on statistical products, the key statistical risks can be identified. Actually, the risk-based approach applied to statistical quality implies a holistic view, that is, a view involving all processes, not only the production ones, as well as all the internal and external stakeholders. Therefore, all people responsible for all processes – production as well as supporting ones – must attend the workshops.

Whatever the risks are identified, an identification procedure should be defined and kept for a while, in order to let participants adapt and fully deploy the potentials coming from knowing the risk management process.

As regards identification techniques – which can be quite complex – it would be better to use “if… then…”-sentences, while also ensuring consideration of risk event sources outside the organization. The risk identification methodology should be explained to all participants in advance by personnel which must be expert and skilled on risk management.

The risk management process must be aligned with strategic, sector and operational planning, which means that key/priority risks must be aligned with the organization’s short and long term strategic objectives. It would be better not to identify too many strategic risks, they could be less manageable. The operational risks, in turn, must be linked with the strategic ones.

Risk classification is definitely useful, as well as bringing risks together in clusters that are small enough to be analyzed, and using a framework that considers regular cyclical risks and long term program transformation risks as separate but linked groups.

The main problems during the risk identification phase concern:

- Choosing an identification methodology and letting the staff know it;
- Recognizing the interrelation among risks in order to be proactive in managing them, especially when they cross-cut more than one business area;
- Visualizing prospective risks, as well as risks that haven’t occurred yet.

What not to do:

- Mistaking risks for criticalities;
- Either identifying too many risks or mistaking risks that are out of the organization’s reach for actually manageable ones.

The higher the organization’s risk maturity, the more workable the expected behaviors are against risk appetite in order to change the organization’s culture: actually, if this latter is less mature, risks are considered as just threats instead of opportunities.

Risk assessment

In order to be successful the risk assessment phase should be led by the risk management team and supported by a specific tool. Its methodology must be shared and well understood in advance. Even the risk assessment process as well as the risk measurement criteria must be adapted to the organizational context, shared and standardized.

The risk matrix as an assessment technique has the benefit of allowing an intuitive measurement of risks as well as an easier review of it.

Risk assessment must be done by a multi-disciplinary team, especially if a qualitative assessment method is used, so that evaluation is not too affected by a single person or competency. Assessment must be preceded by a brainstorming whose task is to ensure that everybody has understood the two main risk measurement criteria, impact and likelihood. Regularly reviewing risk assessment – that is, not only concurrently with risk registers updating – by measuring both residual and inherent risk in order to keep it current is crucial.

Qualitative assessment can be integrated with quantitative one provided that updated information can easily be found. In some cases data collection could be quite expensive.

Risk assessment results (risk list and related measurement) must be shared with internal and external stakeholders, and then reviewed according to their observations. In some cases it will be useful to analyze impact from risk occurrence on particular kinds of stakeholders too (users, staff, data providers, etc.). Such assessment highly facilitates subsequent evaluation of the effectiveness of risk treatment actions.

To match bottom-up and top-down approaches, it is crucial that risk weighting at least is shared – through support from the risk management team – at Senior management board level.

Although difficult, it is useful to measure the impact from risk occurrence at both corporate and division level, according to risk interrelation, if identified in advance.
Here follow some mistakes to avoid (what not to do):

- Overestimating risks as well as under- or over- reporting in order to hide or artificially highlight particular risks;
- Prioritizing risks just according to their high value (likelihood to occur);
- Using complex assessment tools not easy to understand by the staff less skilled in risk management.

**Risk Treatment**

The responsibility for treatment planning and implementation of key-risks should be delegated to senior managers. In doing so they are supported by their own offices, both production and technical ones. Any treatment must be matched with objectives, indicators, deadlines, risk tolerance levels, and its implementation must be monitored and, if needed, adapted to different circumstances after a careful risk re-assessment.

Treatment effectiveness can be reached through matching different actions, both preventative and subsequent, at different stages of the statistical production process.

Sustainability for every treatment must be measured through cost-benefit analysis, while preferring treatment actions that could easily be embedded into production processes. To this purpose, aligning treatment operational planning with the financial one is essential.

One of the main problems concerns the difficulty of assigning resources for treatment plans that have cross-cutting effects in order to ensure an integrated organizational response, as well as a definition of duties and responsibilities for risk treatment in those cases where the risk is related to more than one process or to the whole organization.

Here follow some mistakes to avoid (what not to do):

- Keeping the Quality management team out of treatment planning;
- Failing to carry out cost-benefit analysis;
- Failing to monitor the progress of treatment actions.