The Uncertain Times

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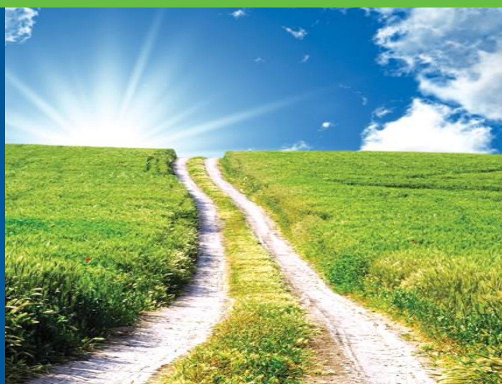

Welcome to the fifth edition of The Uncertain Times – a regular newsletter bringing you snippets from the Business and Risk Management Industry.

In this edition we discuss common terminology in risk management and we address 'strategy and risk' looking at why so many strategic goals are not achieved, as well as why project governance risks are overlooked.

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Risk Management and a Common Language

Written by Vanessa Thurlwell

In our involvement in many areas of risk management development, particularly when representatives of different organisations and industries are involved, one of the most significant talking points and often time wasters, is the discussion around terminology and achieving a level of understanding and agreement among the representatives of what wording and terminology is correct.
The three main areas in which we experience this include:

- Development of the risk management document structure for an organisation – What is the Policy? What is the Strategy? What is the Framework?
- Developing the Risk Assessment process and Risk Register format – Risk vs Issue, Likelihood vs Probability, Treatment vs Mitigation , to name but a few
- Reporting formats and levels of information – Categories of information, levels of complexity etc.

Without this common language, an organisation will spend a wealth of time discussing key elements without making progress. Buy-in will be compromised as levels of commitment will waver due to a perception of poor value add.
It is critical that an organisation agrees on its consistent terminology and language to ensure a common understanding of the key elements of risk management. This must be reflected across all documentation, all processes and all activities and confirmed during all discussions and engagements to ensure embedding of the common terminology in the language of the organisation.

__Vanessa Thurlwell__ is a Senior Risk Consultant responsible for Risk Management, Business Continuity Management and training.
Vanessa's specialist skills include advisory and implementation at all phases of the risk management cycle, from analysing risk management maturity and conducting gap analyses against risk frameworks and regulations including King III, ISO 31000, developing risk appetite and risk management frameworks and facilitating risk management activities, such as risk assessments, control self assessments and training.

Contact us for any advice or assistance in the following areas:

- Enterprise Risk Management
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- Environmental Risk Management
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Strategy and risk - Why are so many strategies not attained.

Written by: Oliver Laloux

Many of our clients are often confused as to how to apply risk management thinking and principles to their strategic planning process. As with any good risk mature organisation, the process can be deceptively simple, if one accepts that risk mature organisations consider uncertainties in any and all key decision making processes.
Establishing or reviewing a strategy is not much different, typically, an organisation will scan and understand its internal environment (what's going on inside the organisation), it will scan and understand its external environment and it will clearly establish who its stakeholders are and how they influence/ affect the organisation, in order to ultimately set the strategy, or make a range decisions about its future.
A range of tools can be used to answer these questions, including PESTEL, SWOT, Porter's five forces, competitor analysis, stakeholder analysis and others. In ISO 31000, risk language, this is called context setting. Once the context is understood, more mature organisations will then go about setting themselves goals and objectives of what the organisation wishes to achieve in the next 12, 24 or even 60 months.
This will lead to a better and more detailed understanding of its capacity, or the money, people, systems and processes it has in place and what can be achieved by using these optimally.

In each of those processes, there exist some uncertainties. Remember the definition of risk being 'the effect of uncertainty on objectives'.
If various uncertainties are recognised, debated and documented at each step of the strategic setting process, internal environment, external environment, stakeholders, goals and objectives, the whole process becomes more meaningful as the uncertainties that exist with each element can be better understood, evaluated and taken into account during each of the deliberations. By doing this, an organisation inherently builds a level of resilience in its goals and objectives and quite importantly, strategies can be set to deal with the actual risks or uncertainties.
Ultimately, risk thinking can help stress test the various objectives or goals by creating an understanding of the range of uncertainties that can affect reaching the objective. Very often it then becomes evident what strategic goals are 'risk heavy' or 'risk light'. The strategy itself can also contain a range of plans that assist in managing the risks associated with the achievement of a strategic objective.
Those organisations that follow this process, generally achieve and exceed their strategic goals. Those that do not rarely do. Still wondering why?

Would you invest in an organisation that has not taken uncertainty into account when establishing where it wants to be next year, by 2020 or later?

To read the full article, click HERE

Oliver Laloux *has a BSc TRP-Honours and MSc. He is the CEO of Mondial Consultants and a prior director of a large risk consultancy. Oliver has over 20 years' experience in enterprise risk management and project risk management as well as various elements of health, safety, environmental and quality (HSEQ) management. He has been the lead for numerous consulting projects, specialist Enterprise Risk Management (ERM) projects, project governance assignments and due diligence surveys in both South Africa and abroad, including clients in various sectors of industry.*

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10 Festive Season Health Risks

1. Overeating
2. Holiday Depression
3. Overspending and Debt
4. New Year's Dread
5. Kids Driving You Crazy
6. Household Accidents and ER Visits
7. A bit too much wine!
8. Office party overload
9. Family Stress
10. Unrealistic Expectations of the new year

*Adapted from www.forbes.com

Project Governance Risks – Overlooked all too often!

Written by:
Craig Smith

In our experience, most project overruns are foreseeable and avoidable and many of the problems we observe are due to a lack of professional, forward-looking risk management that is not underpinned by a robust governance framework at the programme and project level.

Having been involved in governance, project and strategic risk management advisory assignments for clients in South Africa and abroad, our approach to the management of project governance and related risks has been applied on a number of large projects and programmes which suffered from significant under-management of risk in practically all stages of the project value chain and life cycle. The structuring and delivery of modern projects is understandably extremely complex. The long-term character of such projects requires a strategy that appropriately reflects the uncertainty and huge variety of risks they are exposed to over their life cycles. These large scale change programmes and capital investment projects also involve a large number of different stakeholders entering the project life cycle at different stages with different roles, responsibilities, risk-management capabilities and risk-bearing capacities, and often conflicting interests.

While the complexity of these projects requires division of roles and responsibilities among highly specialised players, this often leads to significant interface risks among the various stakeholders that materialise throughout the project, and these must be anticipated and managed from the outset. It is for this particular reason that an over-arching governance framework should be in place. This ensures that, as the projects progress, the governance framework provides a linkage mechanism that ensures alignment between business strategy and direction, and the path to the desired outcomes over the life of the project.

Moreover, the governance mechanisms must provide oversight and control over a range of risks during programme execution. This will help your programme and project managers assess the current state and adjust content and direction if necessary. This should also allow management to refine the definition of success to maintain alignment with evolving business strategy.

At governance level we often see anomalies related to (at various levels):

- reporting and governance structures,
- roles, responsibilities and mandates of oversight bodies;
- stakeholder and human resource capabilities;
- project processes, tools and methodologies;
- strategic alignment and risk management; and
- management and documentation of change.

Our consulting approach is to systematically and critically analyse and evaluate the present internal and external circumstances giving rise to the above governance concerns, then to establish the areas of improvement requiring attention and then, in conjunction with the client, to agree on a roadmap for the development and implementation of the required protocols.

This will ensure that the client is supported by a process that will allow for:

- Defining and implementing a structure (and associated processes) within which to execute programme management and administration.
- Providing active direction, periodically reviewing interim results, and identifying and executing adjustments to ensure achievement of the planned outcomes.

These lay down the foundation for the governance system which all project undertakings should follow and would also ensure that risks related to enterprise change and project management are addressed in a uniform and integrated manner, as required by best practice.

To read the full article, click HERE

Craig Smith (PrEng, MBA) has 17 years' experience in the field of risk management and during that time has consulted to a range of clients in various industry sectors and regions.
Craig is a dedicated organisational and strategic risk management consultant, a risk culture strategist who is passionate about organisational capacity building and performance management. There is no ideal organisational culture for governance or risk management but Craig can assist in developing your organisation's level of maturity by providing a proven programme with supporting processes.

Is it a qualitative or quantitative risk assessment?

Written by:
Oliver Laloux

As part of general response to new environmental closure liability regulations published late last year a number of our clients have been looking at, and seriously contemplating implementing standard quantitative risk management processes going forward. These new regulations require, amongst others, all holders of an exploration or mining licence to utilise best practice quantitative risk based means to calculate and to then report the quantum of capital that would be required to deal with a planned or unplanned decommissioning and closure of an exploration, mining, or related set of activities and assets.

Many practitioners and clients still believe that because a corporate or enterprise risk rating scheme deal with numerical scales, be they financial or other, such a risk rating scheme qualifies as a 'quantitative' risk assessment tool. It is however not quantitative but rather a qualitative tool. Such scales use nominal and descriptive scales for describing the likelihood and consequences of risks. An example of a typical risk severity scale on the potential financial impact of a specific risk issue is depicted below. These scales typically qualify the impact of a risk in terms of a scale, financial or other, that can range from major to minor and can contain 3, 5, 7 or more layers or descriptors.

Typical Risk severity scale:

Descriptor	Financial impact	Risk value
Catastrophic	R 500 million	500
Major	R 200 million	200
Moderate	R 20 million	20
Minor	R 5 million	5
Low	R 100 000	1

Such scales estimate a single point, highly subjective estimate of what the impact of a risk may be, typically combined to an equally subjective view of its probability. Although the risk impact may be associated with a ZAR or USD or other value, the value may as well represent an a, b, c, or I II III as it is purely a qualitative scale that enables risk practitioners to easily and quickly determine what is big and what is small.

So what then is meant by a quantitative assessment? …

To read the full article, click HERE