The Importance of Evaluating Risk Management Maturity

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Author Anias Nin is quoted as saying:

> *"We do not grow absolutely, chronologically. We grow sometimes in one dimension, and not in another; unevenly. We grow partially. We are relative. We are mature in one realm, childish in another. The past, present, and future mingle and pull us backward, forward, or fix us in the present. We are made up of layers, cells, constellations.*

The same can be said for the growth of risk management in our organisations. We may be more mature in certain areas, particular those which are areas of strength, such as organisational structure, policy development and compliance.

But there may be other areas which are our problem areas, possibly leadership, learning and our risk management culture. No organisation is able to get all components of risk management implemented, embedded and providing value at the same time and no organisation follows a path of perfect implementation of risk management either.

Our risk management personnel and teams can be highly effective and efficient in developing risk management policies and frameworks, as well as training their colleagues in risk management, but when the time comes to implement such policies and frameworks, the rest of the organisation does not buy in to them, does not understand the value of risk management or does not participate in risk management activities as required. We may have pockets of excellence throughout the organisation where risk management is driven through visible leadership, but there may be areas where risk management is conducted to tick the compliance boxes.

This highlights the need for evaluating risk management maturity throughout the organisation. We need to understand in which realms we are mature and which we are childish, to reference Nin. Through identifying the levels of maturity of the different components of risk management, we are able to determine where to focus our efforts and resources and drive continual improvement to build risk management to a maturity level which we believe is appropriate to our organisation and its strategy, our industry and the external environment, our internal environment and risk profile and to what senior management has committed.

In evaluating risk management maturity, it is critical to note that one organisation is not going to have the same desired level of risk management maturity as another. An explicit decision needs to be made by senior management of what is realistic, appropriate and necessary for the organisation. No organisation is able to successfully implement a "Rolls Royce" version of risk management as a first phase, so may have to start with the "City Golf" version first and scale up as maturity improves. This is why a phased, or stepped up approach is required to ensure that risk management maturity increases at a steady and sustainable rate and that components are developed and implemented in a structured and logical order that allows for integration into existing organisational processes and operations. To achieve this steady and sustainable growth, it is critical that an organisation evaluate the levels of implementation and performance of risk management within the organisation, at least annually to map against best practice and provide recommendations for improvement and growth in risk management.

To achieve this, a Risk Management Gap Analysis or Maturity Evaluation Model may be used. This needs to be based on a comprehensive risk management framework that is multidimensional, holistic and aligned with best practice. This will ensure that the basis for evaluation is sound and covers all the requirements of a comprehensive risk management approach, which, if implemented correctly, meets all regulatory requirements.

Mondial Consultants uses a Gap Analysis tool that is tailored to an organisation's risk management objectives, in addition to best practice and regulatory requirements. Five clauses/requirements are detailed for each Objective and each is reviewed based on documentation review and discussions with relevant role players within the organisation. For each element within each Objective, the best practice maturity requirements are noted. The implementation, achievement and on-going improvement of each element will lead the organisation to the highest level of risk management maturity. Recommendations are given for improvements required to meet full implementation requirements and improve levels of maturity.
To allow for ease of reporting and performance monitoring, a Maturity Level is assigned to each element, based on both Maturity of Intent and Maturity of Application. It is therefore focussed on not only 'is the policy/standard/other in place' but also 'how well is it being applied, lived, achieving embedded risk management'. This is a current state of maturity which in the early stages of implementation will improve rapidly. An indication of priority in terms of HIGH, MEDIUM and LOW is given to assist the organisation with areas requiring more urgent attention and escalation.

The key to the successful growth in risk management maturity is to ensure action is taken on completion of the maturity evaluation by ensuring commitment to implementing the recommendations made. This can be facilitated through the development of a risk management plan, or revision of the existing risk management plan which provides a clear roadmap for risk management.

By focussing on the areas of required growth and attention and required actions, which must be aligned to our organisation's strategy, we are able to grow our risk management maturity and continually improve the integration with the organisation's processes and operations and ensure the optimal value is realised.

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