

Risk management best practice is ISO 31000

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IMPLEMENTING RISK MANAGEMENT IN
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ISO 31000 is a must have for Organizations

- International standards allow for easy interchange of ideas, contractual arrangements, and innovation
- Standards can also be check lists, meaningless exercises in futility and a boon to consultants
- 31000 is non certifiable which makes it a good standard
- Now 10 years since ISO Guide 73 and 20 years since AUS/NZ 4360 and CSA Q850 – well discussed, tested, and validated
- *Why did the Canadian cross the road?*

31000 is high level but comprehensive

- 30 countries have met for some 40 + days
- NO significant GAPS and COVERS almost ALL POSSIBILITIES
- Translation may be needed, for example, Canada will have a supplementary standard
- Implementation is not trivial, large companies will have 100+ existing risk management activities with different terminology, processes, etc. – JUNGLE OUT THERE

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Short History of Risk Management

- 3000 BC – right or wrong Captain is right and goes down with the ship
- Darwin “survival of the fit” – get fit
- “if you have an enemy, kill them” – The Prince
- Safety in numbers (insurance) – Loyd’s coffee house
- Britannia rules the seas – good set of controls for internal (Billy Budd) and external risks (North America)
- 1960 Zurich Re Blue book (heat map, teams, risk criteria, identification, the works), or Boeing first?
- 1965 Drucker – “risk in every decision”
- Against the Gods - Peter Bernstein – foundation
- Risk ManagementBooks - 1 per week
- 2009 ISO 31000 – positive risk and best practice

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One view of an Organization

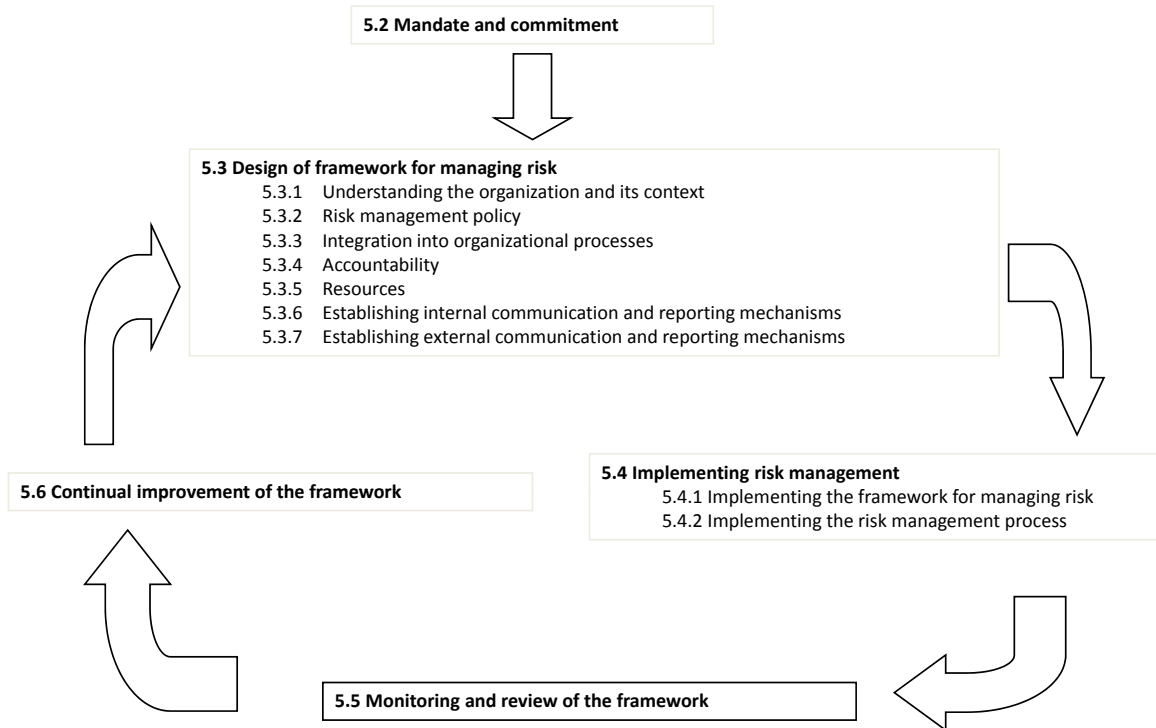
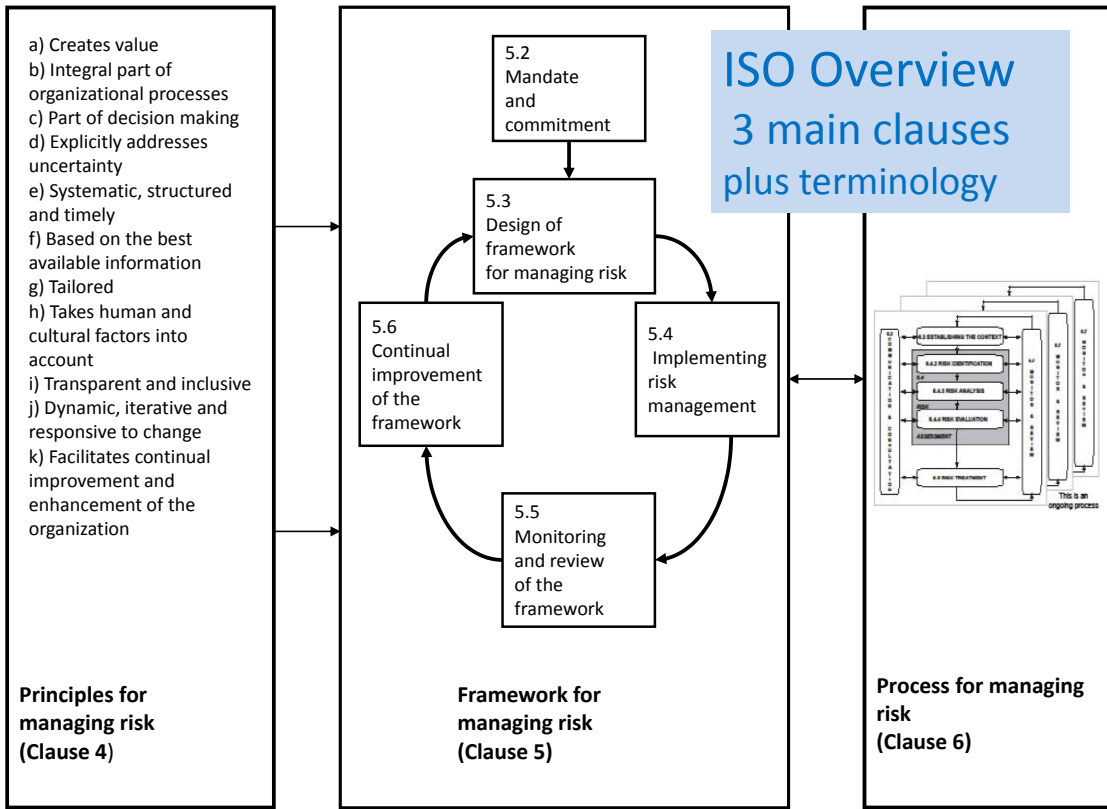
- Directed, non-equilibrium, SYSTEM of AGENTS
- “No optimal system configuration”- Mike Batty
- Norm is constant change at the top, think Loblaw, Stern
- Agents independent within corporate context
- Management games like scenarios, what if?, to understand the chaotic, teeming, caldron of risks
- Rules/accountability to protect society, public, employees, and to guide management
- 31000 is needed particularly with globalization

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What is ISO 31000?

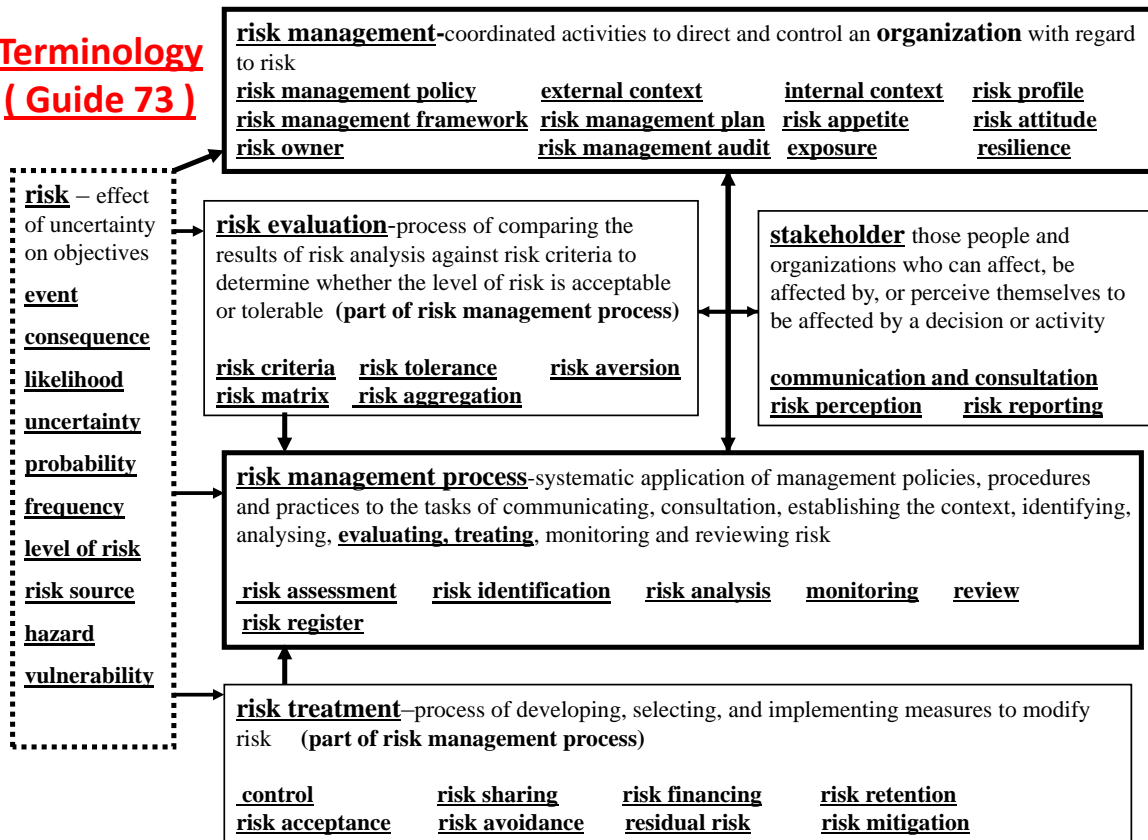
- Principles and Guidelines on Implementing Risk Management
- 11 principles and 5 attributes of excellence
- OBJECTIVES driven within Context by Risk Criteria
- ACCOUNTABILITY
- Organization-wide FRAMEWORK
- Individual decision-maker Risk Management PROCESS
- Design, implementation, monitor and review, KPI, documentation, CONTINUOUS IMPROVEMENT

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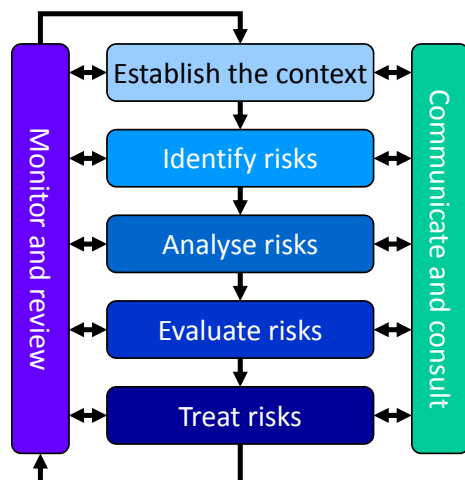


ISO 31000 Framework for Risk Management

Terminology (Guide 73)



The risk management process



RM Information System
 Risk Registers
 Treatment Plan
 Assurance Plan
 Reporting templates

Advantages of 31000

- Strategic, operations, processes, projects, products, assets, governance, everything
- Proactively create value by treating uncertainty, while respecting regulations, laws, organization
- Expect better profits, moral, trust, controls, initiatives, reporting, **and corporate culture**
- Designed to integrate with existing management–
- Build on existing management systems, add commitment, alignment, IT, stakeholders, **ownership of risk**, etc.
- Communication and Consultation as appropriate – consider the values and perceptions of stakeholders
- Risk in every decision is set in context, assessed, treated, documented
- Review, review, and review, then act, act, act

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Example risk register for a specific Objective – illustration only
 Courtesy of Larry Warner of **MARS** the Food Company



Ready-to-Heat		Risk Profile	
Aggressively grow and build the ready-to-heat business by expanding the product line (15% NSV growth & maintain shares above 30%) and broaden the availability of the product.		Priority	
		Owner	
Risks	Treatment Activities		
1 Increase of aggressive competition from Rice Master and Fast Rice Aggressive year for growth target for the segment & brand 2 Achieve new product growth targets 3	1,2,3 1	Accelerate innovation Conduct competitor analysis session	
Action Plan			

1. Identify initiatives and their associated descriptions with measurable objectives

6. Management Team evaluates the probability of success in achieving this initiative's overall objectives

2. Prioritize order of the key initiatives based on their contribution to achieving the overall financial and strategic objectives within the OP

3. Document the individual in charge of the given initiative

5. List of planned activities that will treat the risks – match the treatment strategies to risk through the reference numbers

4. List of risks that could hinder the ability to meet the initiative's objectives

7. Document the immediate next steps for effective initiative execution

Business units are required to review and update a dashboard on a quarterly basis which allows tracking of performance over time

Initiative	Risk Profile				Trend	Comments
	Q3 '05	Q4 '05	Q1 '06	Q2 '06		
Re-launch of Pedigree Effectively execute the re-launch of Pedigree to achieve the growth targets (10%)	Yellow	Green			Improving	Shipments started in P2 to meet advertising schedule. Advertising on air (P2W3). Massive presentation to all customers was executed during P1 with excellent customer participation.
Direct-to-store (DTS) Increase DTS operations by 10% and add 500 points of sale per cell	Green	Green			Stable	DTS operation is improving however there are still some areas that need to improve further. We will expand when we have a holistic strategy.
Associate engagement Increase associate engagement score from 85% to 90% within the factory	Blue	Green			Improving	Shift managers have been provided associate engagement training. All managers have held meetings with their team members.
Bring Pet Dry plant online Make the Dry plant fully operational by P13	Red	Blue			Stable	On track, construction permit granted. Plant will be ready by P13
Launch of Dove Successfully launch Dove into the mass market and achieve 65% distribution	Blue	Yellow			Stable	Increased risk due to current demand exceeding supply. We have re-phased the roll-out for the mass market to ensure current supply is adequate.



Let's check
what ISO 31000 is, and
what it expects of an organization

then

Discussion, Comments, Questions and
useful arguments