



Risk Management Competence

Thursday 11 October 2007, NWDA, Warrington.

This meeting was held by the North West group of the IRM, Networking North West at the NW Development Agency in Warrington. There was a very good turn out of around 70 people and we are very grateful to the NWDA for their support and hospitality.

There is a lot of interest in the concept of 'risk management competence'. Whilst there is plenty of guidance and well developed tools and techniques for implementing good practice risk management systems, ultimately decisions are made by people. Consequently there is increasing interest in how we determine whether or not those individuals are competent to make those decisions. In particular we need to distinguish between being 'competent' and being 'qualified'. Demonstrating competence should be more than just pointing to a certificate on the wall.

To explore this Mike Robertson of Risk Solutions assembled a panel of speakers who have extensive experience of considering the implications of these issues at the 'coal-face' of their organisations. They talked about their experiences so that we could draw out common themes and generally applicable lessons. In particular the speakers addressed the following questions:

- What do we mean by 'competence' and how is it measured?
- Do we distinguish between individual and organisational competence?
- How do we develop it (individually and at the organisational level)?
- What role does experience (including lessons from incidents/events) have in developing competence going forward?

First off was Geoff Miller, Head of Risk Management at United Utilities PLC who talked about embedding risk management capability into the company. He described the challenges of doing this in a FTSE 100 company, assessing that capability and facilitating further improvement – including what worked and what didn't. Parallels were drawn from implementation of the Civil Contingencies Act 2004, an American Waterworks Research Foundation project on improving the sector's risk management capability and a current European initiative on improving security of water supplies.

Chris Urwin, Principal Consultant with DNV Consulting explored what constitutes Risk Competence and how organisations can manage it to ensure the appropriate risk behaviour of their people and more effective risk management. Chris described a four element model for risk competence involving risk perception, risk acceptance, knowledge and skills, and commitment to norms and rules. It is important to look beyond technical aspects of competence to include the psychological aspects which affect behaviour. How can organisations ensure people perceive risks correctly, have appropriate values, beliefs and attitudes concerning risk, and commit to relevant norms and rules?



After tea Colette Jolly, Head of Operational Risk at AXA Insurance UK PLC, discussed how AXA Insurance recently went about evaluating a series of standards and measures designed to assess the effectiveness of AXA's new operational risk framework. The five dimensions of operational risk management:

- leadership and culture
- infrastructure (framework, policy and communication)
- people, tools and resources
- business processes
- business benefits and outcomes

Assessed against eight effectiveness criteria (consistent, defined, comprehensive, coherent, proportionate, scalable, recognised and effective). Her presentation also touched on how the framework addresses the level of competence and capability of the organisation in managing its operational risks.

Finally Walter Williamson MBE, Sector Skills Director of the Cogent Sector Skills Council discussed how competence has been developed and lesson learned from incidents in the Oil & Gas Sector. Cogent is the Sector Skills Council (SSC) for the Chemicals and Pharmaceuticals, Oil and Gas, Nuclear, Petroleum and Polymer Industries. It is one of 25 SSCs which, together with the Sector Skills Development Agency (SSDA), form the Skills for Business Network (SfBN). Cogent support is the third level in a framework for developing organisational competence. The first level is to put a policy in place, followed by the second: a risk-based competence framework. Finally Cogent provides real examples and Walter's talk was laced with personal anecdotes relating to a number serious accidents.

The afternoon was chaired by Mike Robertson who provided a short summing up. He suggested that Geoff Miller's presentation focused on the systems and processes that UU have introduced to ensure that as an organisation, it is competent at risk management. These can be seen as key enablers for development of risk competence at the individual level. Chris Urwin's presentation highlighted a very people centric approach to assessing competence and this could be developed further to establish individual risk management competence requirements for particular roles or job functions. Colette Jolly's presentation highlighted some of the challenges associated with embedding an operational risk framework into a large and complex organisation. Walter Williamson's presentation provided a sharp reminder of the potential consequences of getting competence wrong in a hazardous industry such as oil and gas.

The feedback was very positive about the quality of the presentations as well as the venue. We shall be taking advantage of the NWDA's generosity again!

Andy Garlick
IRM North West
22 October 2007