



THE INSTITUTE OF RISK MANAGEMENT

NOTES OF NORTH WEST HOT TOPICS ROUND TABLE

HELD AT HIGHWAYS AGENCY, MANCHESTER

ON THURSDAY 7TH DECEMBER 2006

Attendees

Clive Brookes (Royal Mail), Ray Butler (Highways Agency), Ian Churchill (BNG), Andy Garlick (The Risk Agenda), Steven Keen (UK Facilities), Sharon Leeks (BNG), Peter Nutbein (Royal Mail), Mark Nutter (Rochdale MBC), David Praunaskas (Gallagher Bassett), Robin Phillips (BNG), Jenny Rayner (Abbey Consulting), Mike Robertson (Risk Solutions), Tom Smith (Derbyshire CC)

Apologies

John Henstock (Manchester CC)

Items

1. Ray welcomed us to the Highways Agency.
2. Andy introduced the session by saying it was an opportunity for people to debate things rather than just listen to talks. There were three formal items on the agenda, each with a discussion leader, and we could follow up with other topics afterwards.
3. To promote this each participant was invited to describe their own big risk issues of the year. The results are in Table 1.

Measuring Effectiveness

4. The first formal topic was *Measuring Effectiveness* introduced by Antony Davies. Antony described Axa's experience in introducing a system within their customer operations arm based on the Risk Management Assessment Framework¹ promoted by HM Treasury. These slides are available on the IRM website at <http://www.theirm.org/events/documents/AntonyDavies.pdf>
5. There was some discussion about whether it was the effectiveness of risk management that was being measured or the effectiveness of measuring the implementation of good risk management practice. Better terms might be risk management assessment, or measuring maturity or degree of embedding
6. The three main points arising from the session were:
 - Such measurements are useful, especially where compliance is required.
 - The HMT system is a good starting point (but only a starting point).
 - Gaining management buy-in can be problematic.

¹ Available from http://www.hm-treasury.gov.uk/documents/public_spending_and_services/risk/pss_risk_portal.cfm

7. The last point is a common experience, as evidenced from Table 1 and it is obviously important to be able to convince managers that there is a business case for formal risk management (as opposed to informal risk management which managers have to do anyway).

Strategic, Corporate and Project Risk

8. Mike Robertson introduced this topic. He reviewed a recent DTI publication on strategic risk and gave an overview of a survey Risk Solutions carried out of members of the Major Projects Association. The survey extended from top management to project risk managers. Interestingly it suggested that corporate governance (where the Board need to demonstrate awareness of the risks their organisation faces and that they are managing these) was not a major driver for project risk management. The fundamental question is whether this kind of categorisation - ie strategic vs operational vs project risk - is essential, whether it helps, or whether it hinders. Should risk management processes ensure all risks be communicated seamlessly and appropriately through the organisation? These slides are available on the IRM website at <http://www.theirm.org/events/documents/MikeRobertson.pdf>
9. The three main points arising from the session were:
 - There is plenty of scope for improving risk release processes in projects for more efficient use of available finance.
 - There was disagreement about whether categories matter.
 - But in any case achieving information flows about risk up and down *is* important.

Learning the Lessons

10. This topic was introduced by Ray Butler with an interesting historical example of how failure to learn from the discovery of bad ground in the area around the Watford Gap by the builders of the Grand Union canal led first to considerable additional expense in building both the London to Birmingham railway and 150 years later the motorway! More information is contained in the book by TLC Rolt: *Landscape with Figures*, Sutton Publishing, 1992 pp 179 - 180. (In a combined volume with *Landscape with Machines* and *Landscape with Canals* as *The Landscape Trilogy*.)
11. It was probably most people's experience that formal, "knowledge management", systems for storing experience and ensuring it is communicated to new projects tended to be ineffective. The best way was simply to bring in the experienced hands and ask them. But this naturally leads to lessons being forgotten as people move on. A suitable way of doing this is to bring these people in at the formal reviews (the "gates") carried out as part of staged project development process.
12. Jenny Rayner described a successful system she had implemented as part of the internal audit role at ICI. This involved the internal auditors challenging the project teams using checklists which were derived from past experience.
13. The three main points arising from the session were:
 - In spite of the difficulties it is worth the effort to try to apply the lessons of past projects to future ones.
 - Good practice dictates using people - with their sophisticated knowledge processing and analytical skills - rather than computer systems. More generally, it's good to talk.

- Use a stage gate process - with teeth!

And Finally ...

14. Having run out of time, Andy closed the meeting with thanks to the session leaders, who had all taken the trouble to prepare professional quality material, and to Ray and the Highways Agency for their hospitality, including mince pies.
15. The notes and presentations would be issued later (see links above).
16. We then continued discussions in less formal surroundings.

Table 1: IRM NW Round Table 7 Dec 2006 – Issues of the Year

2006 Big Issue
How to measure “embeddedness” of Risk Management at each level of the organisation
Getting risk appetite articulated
Embedding risk management system & culture in new company in time for it to be sold
Moving from risk management at the operational level to engaging top management on corporate risk
Articulating tolerable exposure / risk appetite in non-safety risk
Learning the job as a new risk manager
Improving quality of risk management
Moving from operational management (instinctive risk management) to fill-time risk management – the “bolt-on” issue
Managing contract and partnership risk in new joint / partnership delivery arrangements
Keeping the business focussed on business as usual risk management at a time of organisational change
Getting top management on-side – has seen a shift in attitude at local authority clients during year, much more interest at the top
Articulating / measuring risk appetite and joining risk management up at all levels of organisation
Bringing societal concern to bear on safety decision making
Managing risks in Partnership, contract and Public / private partnership environment