

South Wales & SW of England IRM Meeting

Meeting Notes

DATE:	17.1.07	LOCATION:	Marsh Offices, Victoria Street, Bristol
CHAIRMAN	Fergus Dolan, Marsh		
SECRETARY	Sue Houldey, Ecclesiastical Insurance Group		
ATTENDEES:	Per distribution list		

1. Introduction

Chairman welcomed all those attending.

2. Ben Davis, MACE Construction

Suggestions for Improving Risk Management

An interesting question is ‘which phase of Risk Management is the most important?’

- Setting Objectives
- Risk Identification
- Risk Assessment
- Management of risk

The answer should be they are all equally important. They are all stages of one process, and as you continue round the process you should be able to streamline and improve it.

Management is about risk.

‘A risk tamed is a reward captured’ – Gerd Gigerenzer – Reckoning with risk. Learning to live with uncertainty.

Although numbers have their place in the risk management process, they are only one part. They can create an artificial confidence that the risk is acceptable.

Common problems

- Housekeeping - managing the risk registers is time consuming and becomes the focus
- Stopping short – Register is only the output, the process is just as important
- Lets trade – objectives are not understood and are traded e.g. cost vs quality vs time
- Risk response plans – do not receive adequate focus.

Main problem is the creation of a risk adverse business culture. There is a preference for avoiding risk rather than taking managed risk. The focus should be on the management of the risk.

Suggestions

- Set up and ensure understanding of clear objectives, ranking them and understanding the trade offs
- Early identification of risk responses
- Assign clear responsibilities to risk owners and action managers, and separate the two functions
- Risk responses should have two stages – strategy and action
- Clarify the risk response language to create understanding
- Ensure understanding of terminology
- Hold separate risk response meetings to create focus
- Incorporate response actions into activities
- Market risk management department to sell the benefits and improve buy in

Types of responses

- Modify
- Avoid
- Prevent
- Mitigate
- Contingency plans
- Keep options open
- Monitor
- Accept
- Remain unaware

Ownership = responsibility and can not be deferred or shared

Debate

The above presentation created a debate regarding appropriate titles and responsibilities for risk management.

Title options include Risk Manager, Risk Officer, Risk Advisor, Risk facilitator.

Risk Manager was felt to imply that you are responsible for managing at least some risk. Other imply different things. The relevant title depends on the role and the responsibilities but should be chosen carefully.

Responsibility for risk managers – should this include responsibility for managing some of the risks. There was a general consensus that if risk management accept some responsibility beyond the management of the function, the business may see it as totally their responsibility. It depends on the culture of the organisation.

The involvement of risk management in the day to day management of risk also depends on the type of risk management. Business risk management should remain with the business. However, project risk managers would have more scope to be involved in the day to day management of the actual risks.

Each role is different as is each business.

3. Round table discussion

A discussion was held around Reputation Risk.

Fergus Dolan outlined a case study from a Public Body, London.

They have a reputational risk around the loss of nationally important documents.

Their building was erected in the 1970's and the documents have a tolerance of 28°C. But they are impacted by the global climate changes together with their position under the Heathrow flight path. Temperature control is important within their building.

The Chief Operations Officer received a call relating to continued failure of printers within an area. They had 5 new printers fail in a 6 month period. On investigation it was found that the printers were failing due to problems with the temperature control – they were outside the 28°C temperature tolerance due to a cooling system failure.

As a result of the cooling system failure they also identified that the humidity levels had risen, so they reviewed the condition of the documents. It was found that they were starting to suffer damage, e.g. mould.

As a result of this they outsourced the temperature control of the building to specialists. The contract contains strict service levels which are risk focused.

This shows how a seemingly small operational issue can be an indicator of much larger problems and risks arising.

Each attendee was asked to outline their own reputational risks

MITIE

Their reputational risk relates to their brand. With increasing brand, the risks are increasing in prominence. Five years ago, they were a collection of companies, if one had an issue it did not impact on the rest of the group. They have now amalgamated the companies into their key service sectors e.g. facilities management. So if an area has a problem, it translates to that whole sector and to the Group as a whole.

Their key issues are the

- media – one headline can destroy the reputation regardless of whether the headline and story are correct. Apologies and corrections never receive the same prominence in the press. The damage will already have been done.

- financial – problems in one area can lead to the loss of contracts. Once one contract is lost, other contracts can be under review and more difficult to retain. This has a rolling effect that can last for years. There is also an impact on the staff morale which can lead to additional effects.

They have therefore taken some basic actions to protect the brand e.g. controlling the use of the MITIE logo. It is no longer used on minibuses etc that carry vulnerable people e.g. children, elderly. This stops / slows down the associations with the larger group in the event of accidents, giving them a chance to respond before the headlines are created.

They have also implemented tighter risk management procedures e.g. named drivers only. Also,

contingency planning is in place.

You can not quantify reputation but it is important. And it grows as the group and the profile grows.

Housing 21

They specialise in elderly care and sheltered housing. They provide an extra care product.

Therefore they have a high reputational risk around the standard of care of their residents and responsibility of the tenants.

They measure it via media attention and stakeholder complaints rather than financials. They use a grading system to assess the size of the risk.

The impact is on their ability to attract new business and retain existing business. This is particular issue as they work extensively with local authorities who have their own reputational issues and service requirements.

They are moving into the PFI market which again increasing their reputational risk. They are trying to develop their name, which will increase the reputational risk at the same time.

Ecclesiastical

They differentiate themselves on service, so this is where the main risk comes from on a day to day basis.

But they have close associations with niche markets and are owned by a charitable trust so this provides added dimensions.

An example is that they give grants to members of the clergy, and potentially can be damaged by the behaviour of those recipients. But there is limited mitigation that they can take.

Reputation is on all levels of the risk register – operational and strategic. Also, completed an assessment of the risks to / from the Brand strategy so it is high on the corporate agenda.

It is measured mainly through media impact, but if financials are required they are related to the GWP of the niche markets impacted.

Marsh

Marsh have experienced the impact of reputational issues. They suffered a stock market price crash which was easily measurable in terms of financials.

In the UK, they reacted immediately by bringing in external consultants to review the business. This enabled the UK market to recover, but in other areas where there was not the same immediate response the recovery has been much slower.

This led to a discussion about how to mitigate reputational risk. The general options were considered

- Staff recruitment – getting the right people in to the business to mitigate the risk arising from staff issues
- Size of the brand – if the brand is big enough it is difficult to destroy e.g. Coke, Nike
- Creating a no blame culture – so issues can be raised and addressed quickly before the reputation is put at risk

- Make connection in the staff minds e.g. actions impact bonuses or share values.

5. **AOB**

The next meeting will be held in October 2007. It was agreed that it would be useful to have a discussion on risk registers. Therefore attendees will be asked to bring

- risk register formats from their own organisations, so a discussion over contents and use can be held
- A list of the top 5 risks in their organisations. These will be used as the basis of future discussions and presentations to generate maximum benefit to members of the group.