
Includes conclusion of high management report feature

Thought for the month (or the year?)

“When written in Chinese, the word *crisis* is composed of two characters. One represents danger, and the other represents opportunity.”

This quotation is on the bottom of the page of my diary as I write this item and is attributed to John F. Kennedy, 1917 to 1963, American President. I thought rather an apt theme at this time as we face uncertain times as part of the global community.

Ed

This month, an extended “keynote” submission:

High management report (third part)

Before looking at the way forward, we will recap on the earlier research on this subject :

In NEWSLETTER No 16, we . . .

Appendix attached

AGM Meeting - and visit to RAC Rescue Headquarters - Thursday 6th March 2008

This will be a late start meeting to allow for delegates to travel – those attending will be sent separate joining instructions – this promises to be a great day out.

There are still places, so please let me know if you wish to attend.

Our **next** issue will include the **Behaviour** and **Decision Making** feature, an apt follow up to this month’s topic.

But we still need **your** contributions on any subject related to our sphere of research. So please get those letters coming in.

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Appendix

High management part (third part)

Just to recap on the earlier research on this subject:

In NEWSLETTER No 16, we examined the *Ronan Point* disaster where the block of flats that partially collapsed was defective in basic design, but the owner had no control of the people who tenanted the flats. However, in the *Herald* ferry sinking, the ship was basically sound even though secondhand and not of the most applicable design, but there were operational

problems with communicating and crewing the ship – the owners did have control (in theory anyway) of the crew who were employees.

It was also noted that there was more than one layer of higher management that convert the board's policies into actual happenings.

This was followed up in *NEWSLETTER No 20* with an opening observation about the lower level of management at *St Pancras* railway station who failed to supervise the running of the correct powercar in the station. In the article proper, it was argued that the problem was not shortage of funding, rather limitations in the execution and follow up of instructions.

Also, we noted that decision makers did always allow for “knock on” effects and that those in authority at all levels should think *one stage further* in considering the consequences of decisions.

Five specific issues were left “in the air”:-

- 1) Quality of general management interpretation on main board decisions
- 2) Communication plans within organisations
- 3) Specific plans for communications with partners and contractors
- 4) Risk Committees (include relevant general employee groups) and Risk Champions and
- 5) Any disagreement with what had been said so far (nobody disagreed).

The first *four* of these need to be addressed this month:

1 of 4

Quality of general management interpretation on main board decisions

In the context of this feature, we must work on the basic premise that the main board are competent to make decisions for the organisation (the problem of inadequate directors and how to get directors in general to consider their own contribution to risk is something we will look at later).

Request for information 1 In readiness, comments will be appreciated on members' experiences of how directors have been persuaded to implement risk control measures (cost saving and the threat of actual damage to the directors' reputation or even litigation come to mind as a start).

Anyway, back to matters in hand: The quality of interpretation of main board directives will invariably lose some focus, but such loss must be kept to an absolute minimum. All organisations will have a framework for delegating down the execution of board policies throughout the workforce – indeed, a selected number of very senior managers will themselves be working directors and the delegation will probably start with them. Further, there is an argument for managers along the line *adding value* to the quality of the board decision based on their own expertise e.g. had a senior manager added CCTV out of his/her budget to the sea doors of *The Herald* quoted above.

In assessing organisational capability for instructions to percolate down through the various layers of senior management with clarity and refinement, an area of particular interest to the Risk Manager is the framework(s) used for communicating strategic performance objectives throughout the organisation. How efficient and effective are these? In turning to seek guidance on this subject from recognised RM standards eg AIRMIC/ALARM/IRM; AusNZ; OGC; COSO and the like, there is some assistance – e.g. Page 9 Section 6 of AIRMIC/ALARM/IRM (hereinafter the Standard) provides for “Risk Reporting and Communication”, but not the

specifics of “who and how” as each organisation will have its own established strategy (hopefully! Ed).

In considering any modification needed, it may be prudent to select features from more than one source (including non-official “standards” eg SHAMPU and PRAM) to create a final bespoke package that suits the people and communication needs within a particular organisation.

The Risk Manager will need to *show* High Management the advantages of co-opting or adapting an existing package of measures.

2 of 4

Communication plans within organisations

Much has been said about “bottom up” being added to “top down”, and there is nothing wrong with that. The two questions that follow on are:

- a) the extent and nature of this vertical communication and one that is often forgotten;
- b) lateral communication.

High Management must allow for instructions to be spread down clearly to the appropriate level and that other departments are not working on a collision course that is set to impede the required outcome whilst achieving a separate objective.

A *practical problem* is often to find out who is the “owner(s)” of communication risks within an organisation. A useful tool would be for a designated senior manager to be a co-ordinator of communication and information, indeed a “communication champion” – the professional or trade skills of the manager and the department in which based could vary between organisations, according to the specific needs. Indeed, there may be the need for a communication champion in each division.

Request for information 2 Any member have any experience of, or ideas here, please?

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Specific plans for communications with partners and contractors

It is generally acknowledged that in some cases, a contractor should be delegated the authority to complete a task effectively ; but responsibility, including risk ownership, should rest with a manager(s) within the organisation - here a rather special communication framework is called for and it is the responsibility of High Management to set up and constantly monitor the position.

Financial incentives and penalties can be a very effective tool for making sure that contractors comply with laid down procedures and to ensure that reporting back on all aspects is adequate. Also, consider the remuneration package of the manager responsible for the contractor!

Request for information 3 If readers have any practical examples, or alternative methods of control regarding contractors/ partners, that they are able to share with us – the editor would be very pleased to hear from you.

4 of 4

Risk committees (include relevant general employee groups) and Risk Champions

One traditional view of High Management has been to appoint “problem” managers to Risk Committees, perhaps in the hope that they will be converted to a better way of thinking, or that the problems can come out into the open. There can be drawbacks with such a scheme though, the managers concerned can talk down ideas that are constructive – it can become the

case of the *lowest common denominator* applying. Perhaps a more effective way to deal with very difficult managers, is educating, financial incentives and penalties?

Reverting to the thread, the choice of Risk Champions and members of Risk Committees should be made by directors or senior managers, but in consultation with line managers who are involved and know the nature, capabilities and communication skills of the people concerned.

The group decision making scenario is an interesting one, and something that will be covered under the "Decision Making" header in the next *NEWSLETTER*.

Editorial comment

a) At this point it is perhaps relevant to mention the role and capabilities of the Risk Manager in the execution of strategic objectives Page 12, Section 9 (of the Standard) "The Structure and Administration of Risk Management" includes specific reference to 9.3 "Role of the Risk Management Function" and if I enlarge this by saying the Risk Manager should be a good *communicator* and a *conduit for information*, you would be forgiven for thinking that I was quoting from advice to students for the **IRM** diploma examinations – but there is not a redundant word there. My own view is that this is probably the biggest difference in mode between RMs and other not dis-similar organisational roles such as Internal Audit and the Health and Safety Manager and, where applicable, the Compliance Officer – the RM needs to be far more outgoing if all aspects of uncertainty are to be covered and the RM must be proactive in communicating meaningfully to other managers.

b) Section 9 of the Standard goes on to include 9.5 "Role of the Internal Auditor" it is not unreasonable to include this in an actual *Standard* – Internal Auditors have been around throughout living memory and their role, including the interface with the Risk Manager, is well understood.

What is a more recent innovation, is the role of the Human Resource Manager – HR has really only been around for a decade or two in its current form (evolving from *personnel*) and in the context of RM, has been on the "backburner" due to the urgent need to integrate *Project Management* thinking within mainstream Risk Management which was previously largely *Insurance* and *Health and Safety* driven.

To conclude, your editor, puts the case that as this Special Interest Group approaches the 3rd Annual General Meeting, we must strive to encompass HR doctrine alongside improved communication within mainstream Risk Management.

Request for further information

Once again, we would welcome comments from members on all the points raised, as well as notes of their actual experiences.

***** End of Transmission *****