



IRM Turkey Regional Group

A Standards Based Approach to Managing Risk

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- A Standards Based Approach to Manage Risk – Nicola Crawford BRG
- The IRM Standard – Carolyn Williams IRM
- IRM Qualifications structure & new memberships – Carolyn Williams
- Risk Management Competencies – Turkiye Skills Gap – open discussion
- Prize draw – IRM Affiliate memberships
- Networking and refreshments

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Evolution or Revolution?

*“The revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature...
The ability to define what may happen in the future and to choose among alternatives lies at the heart of contemporary societies.”*

Peter Bernstein,

Against the Gods: The Remarkable Story of Risk

Risk management is not new - it has evolved:

- In the way it is applied
- How it is measured
- Its focus



An evolutionary practice in a revolutionary environment – the world is changing !



Influences

- Complexity – quantification expensive, cumbersome and not always reliable
- Judgment – perception becomes reality
- Discontinuity of change – extrapolation becomes dangerous
- Context dependency – inter - organisational dynamics give way to non transferable capabilities

But risk management is still important....

“What we think, know or believe in is, in the end of little consequence The only consequence is what we do”

Richard Haines, Futurist

The consequences of managing organisational risks effectively produces tangible results



Why is risk management important?

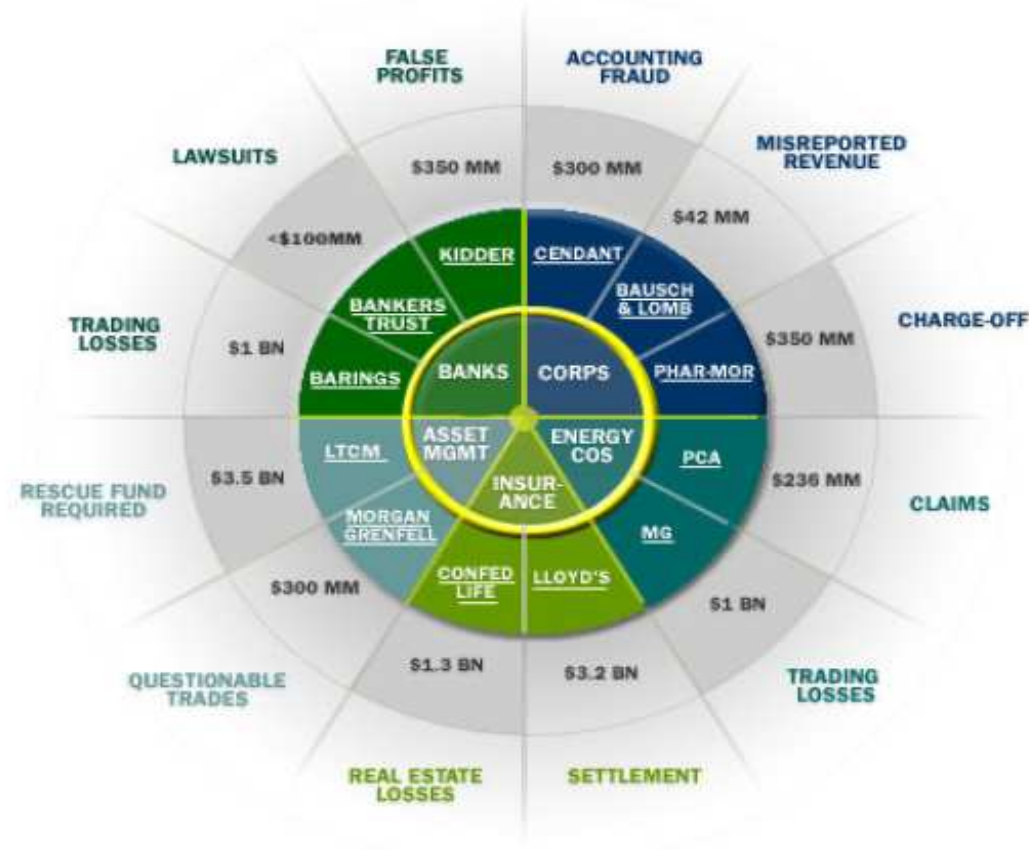
What are the tangible results that organisations are seeking?

- Enhanced competitive position
- Improved resource management
- Improved shareholder/stakeholder relations
- Reduced losses
- Lower operating costs
- Reduced cost of finance
- Improved probability of survival
- Reduced insurance premiums
- More adaptive to change

The primary reasons why organisations develop risk programs

- Directed by a committed senior management
- As a response to a perceived increase in organisational risks
- A focus on enterprise wide risk management
- Reaction to major loss events occurring internally or to others
- Increased regulatory attention – international and domestic
- Industry initiatives
- Shareholder/stakeholder pressure

Organisations react to adverse events



The “wheel of misfortune”

Source: www.erisk.com, 2001

But there are challenges

**Even with strong push and pull factors,
progress on implementing risk management
is sometimes limited**

- Lack of senior management buy-in
- Resource constraints
- Lack of appropriately skilled or professionally qualified staff
- Lack of common definition and categories
- No clear organisation wide approach
- Bureaucratic organisational structure
- Inappropriate tools and techniques
- “Silo management”
- Poor accountability

- Cost savings – set up costs
- Risk reduction of developing new and untested approaches
- Training and development consistent and transportable if accreditation available
- Adoption of common approach allows more effective resource usage – share across different business units
- Independent expertise add insights where applied in other industries
- Availability of technology support
- Facilitation of outsourcing such as quantitative risk analysis
- Ability to demonstrate value added by RM by benchmarking against performance indicators

What are the relevant standards?

Country specific, Industry Best Practice, Regulatory



RM Standards and Best Practice Guides are Principles Based: they are not prescriptive

What does that mean?



In this specific situation: a boat would be recommended not what type of boat – there may even be details of why a boat would be better than a life buoy!

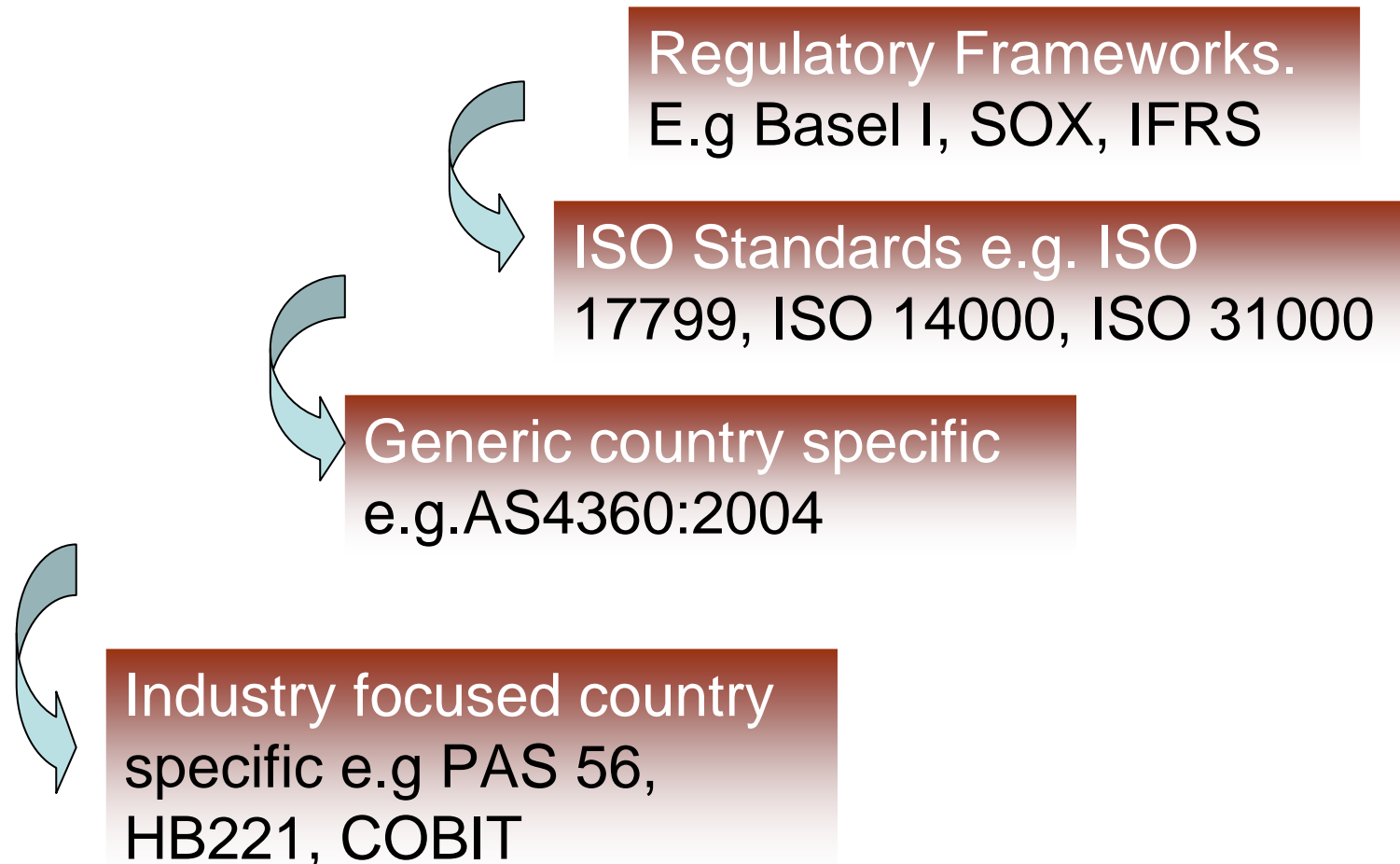
Where do I start?

How do I know which one to use?

- Generic risk frameworks such as ISO 31000, COSO, AS 4360:2004, UK Standard provide an overall framework – can use to map requirements for customization – countries often adopt Standards from other parts of the world.
- Industry Best Practice Guidance – because of Industry Focus tend not to be location specific – but not always the case – ISO 17799, NFPA 1600, Spring Singapore BCM Guide
- Industry Guides often used to drive risk management if related to the organisation's core business or if response driven. E.g water industry (BCM), Technology (ISO 17799)
- Some organisations use a blend – a Risk Standard to establish an overarching framework and then apply industry specific guidance within that framework.

There is no silver bullet for risk management - some form of customization will always be required

Which take precedence?



ISO 17799: Information Security Management



Business Continuity Management

HB 221: Australia, PAS 56: UK, Spring: Singapore,
NFPA 1600: USA

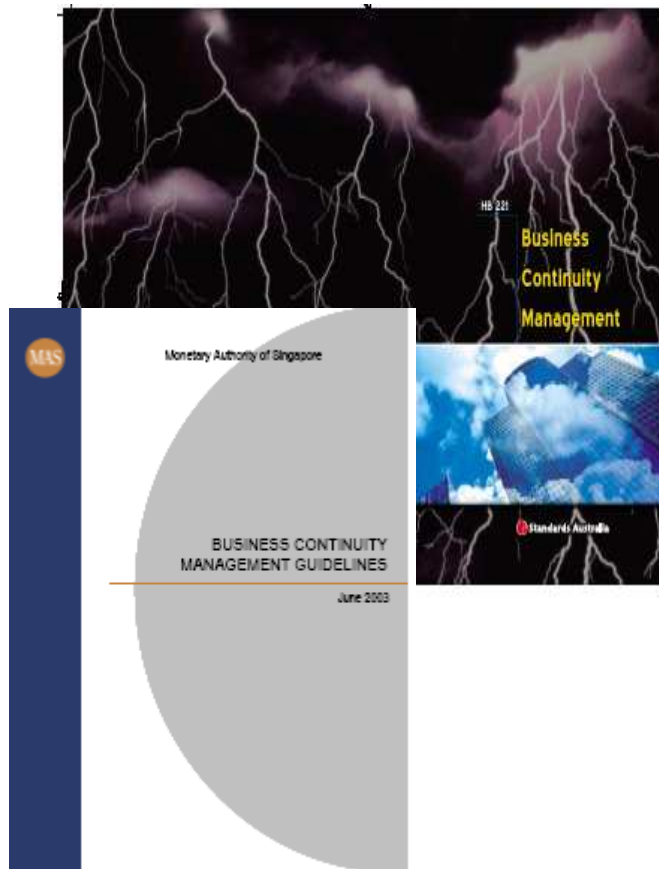
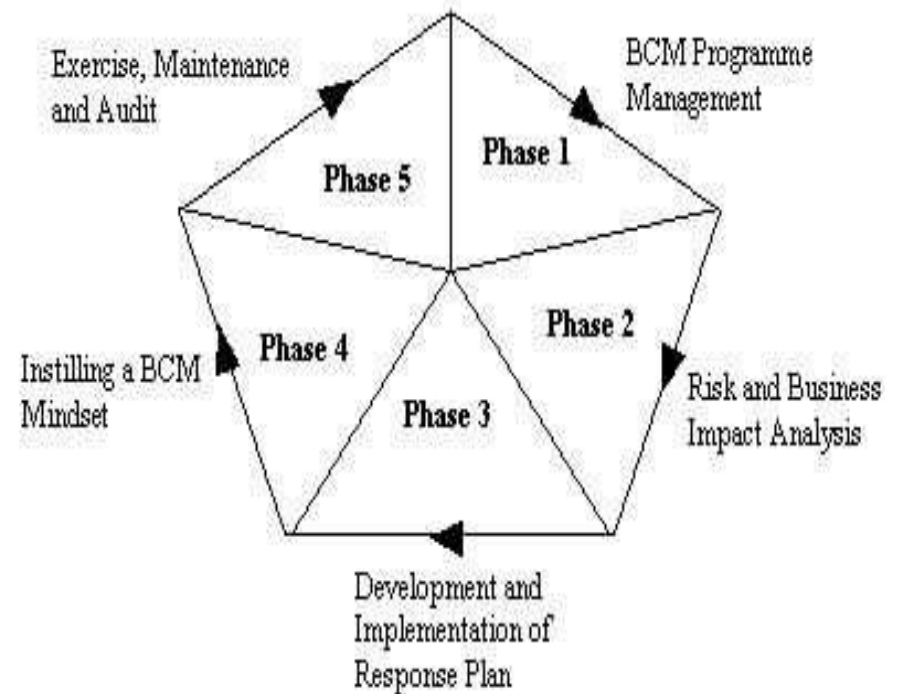


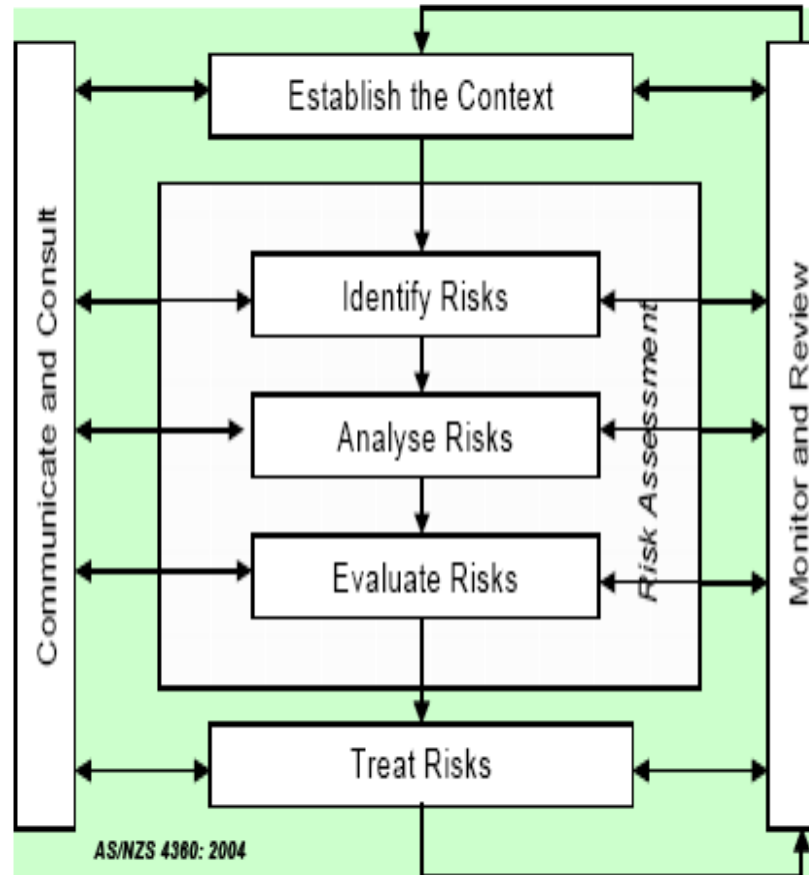
Figure 2: The Business Continuity Management Model



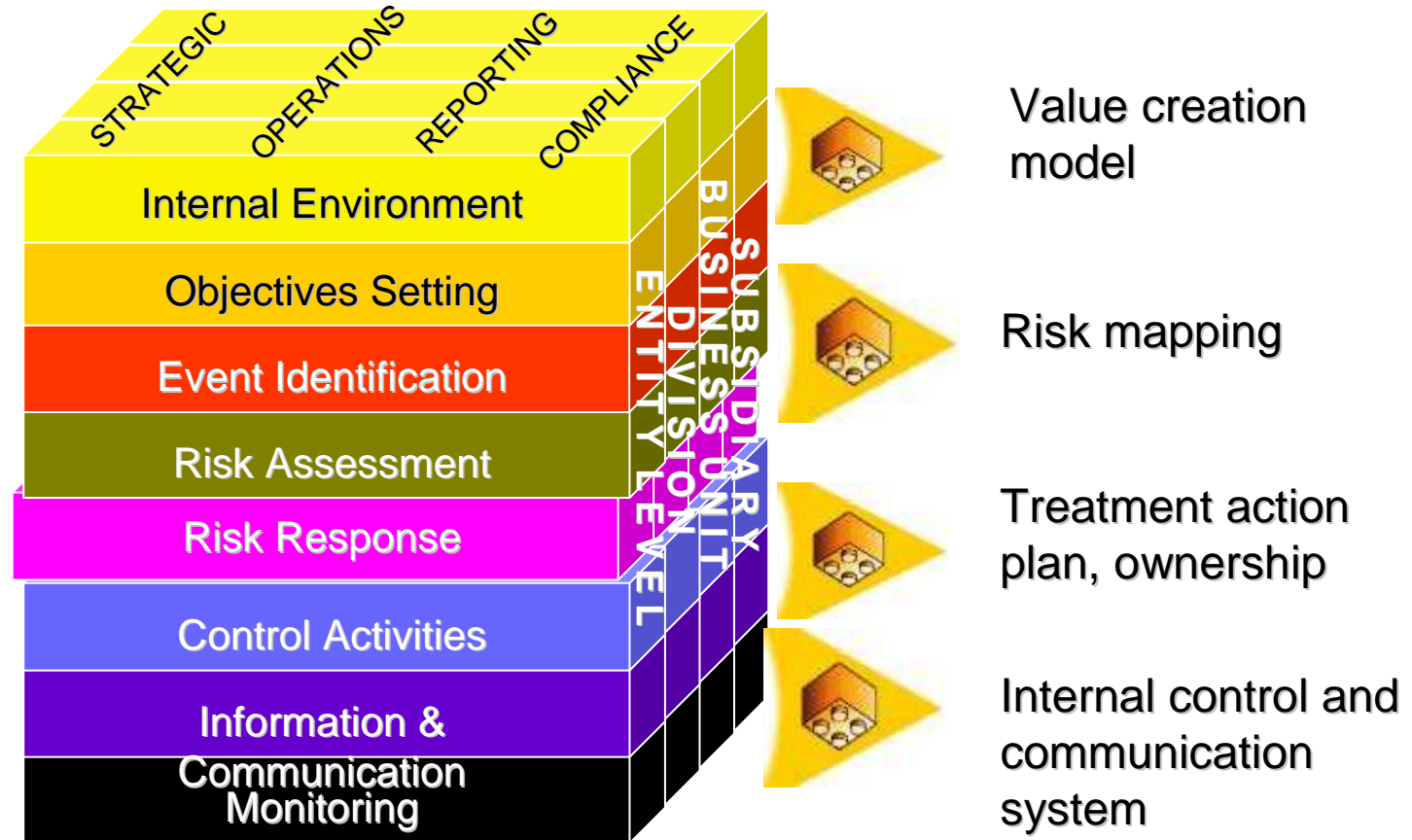
Enterprise Wide Risk Management

AS 4360:2004 Australia,

AS 4360:2004



Enterprise Wide Risk Management - COSO ERM Framework



Source: www.coso.org

Remember.....

- Risk Management Standards tell you “what” you need to include – methodologies tell you “how”
- Using the fast food takeaway as an analogy – know what it is want before you order.
- Are standards so generic as to provide no value? If you recognize that their use is limited to guidance and navigation you can gain a lot of value from their use
- Standards provide an avenue for tracking how risk management efforts improve over time.

Current issues in risk management

- Increased interest in interconnected global risks
 - Asset price falls and economic instability (nb China)
 - Supply chain and energy volatility
 - Resource-related risks arising from climate change
 - “Practical risk management for a turbulent world”
- Understanding and dealing with the downturn
 - Failure of risk management or failure to listen to risk managers?
 - Focus on performance and delivery, risk and return
- Board responsibility
 - Increasing exposure – refinancing, downsizing
- Competency
 - Risk management standards
 - Education and training
 - Preparing for the upturn



Thank You



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