



RISK TOOL: RISK MANAGEMENT PROCESS

RATIONALE AND APPLICATION:

The overall purpose of the management of risk process is to help a decision-maker understand a situation, along with the likely outcomes.

This process is in two parts:

- assess the risk
- plan and control the activities to reduce the risk

This is an integrated process, these are defined into many overlapping activities with steps in each.

LIMITATIONS AND ERRORS OF APPLICATION

- Insufficient resources being available for risk management
- Poor consideration given to risk mitigation and reduction
- Weak communication systems
- Key performance indicators not present or poorly defined

ILLUSTRATION OF RISK MANAGEMENT PROCESS

Planning	1	Determine risk indicators and pass information to risk evaluation.
	2	Utilising the ordered set of risks, assess each against its indicator.
	3	Select the most appropriate means of reducing each risk.
	4	If the risk is accepted go to step 6, otherwise design an appropriate course of action.
	5	Ensure the course of action does not produce any unintended consequences.
	6	Create preliminary risk management plan and define initial monitoring process.
	7	Present plan to management for authority to proceed.
Resourcing	8	Allocate resources to risk management plan.

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Controlling	9	Assign responsibility for the activities identified in the risk management plan.
	10	Ensure risk management plan is feasible, and perform re-analysis of risks as necessary.
	11	Finalise risk management plan, and start execution.
	12	Ensure progress against risk management plan is within resource limits.
	13	Co-ordinate risk management plan execution with existing organisational activities.
Monitoring	14	Resolve any conflicts over resource allocation.
	15	Use learning on the effectiveness of risk reduction measures.
	16	Check that all risk indicators are not being exceeded, and that reduction efforts are effective. If so, return to Step 12 until all risks have been reduced.
	17	Discover reasons for change in the risk status. If minor corrective action is required, return to Step 14. If major corrective action is necessary return to Step 2.

■ FURTHER POINTS

Planning

The level of acceptability of a risk needs to be decided as part of the planning process prior to its use in risk evaluation.

When the risks are placed in order of importance, choices must be made to:

- accept the risks as they are
- try to eliminate the risk
- reduce the likelihood of the risks and/or consequences
- mitigate the risk consequences
- carry out further investigations prior to making a decision

Resourcing

The allocation of resources to risk reduction is one of the crucial activities of the risk management phase, the highest priority tasks being dealt with first.



Controlling

Control activities are concentrated on ensuring that the management plan is properly carried through. Effective communication will be particularly important, as reduction features need to be co-ordinated with each other.

Monitoring

Risks need to be monitored, there are three possible outcomes for each risk identified:

- the risk is resolved as planned
- the risk reduction measures are in progress and monitoring continues
- the risk reduction measures are not working as well as had been expected and thus corrective action is required

Risk evaluation

Having done some risk estimation, it is necessary to assess the situation and see if the level of risk is acceptable, based on the potential benefits and the risk indicators.

Possible actions to reduce each risk should be considered along with the benefits and costs of each course of action and how these risks impact other parts of the organisation.

The risks are then placed in ranking order and the potential mitigation noted against each. This information is then submitted to the risk management process.