



Management of Risk: Guidance for Practitioners



Written by Graham Williams of GSW Consultancy Limited, author of the 2007 edition of M_o_R® and mentor to the author of the 3rd Edition, the purpose of this brochure is to explain why M_o_R has been revised and to describe the main changes and improvements that have been made to the guide.

Why has M_o_R been revised?

M_o_R was first published in 2002, “to help organizations put in place effective frameworks for taking informed decisions about risk”. This was largely in response to the publication of the Turnbull Report on Corporate Governance.

In 2007, a major refresh of the guide was undertaken to reflect the changes in the world of risk management in both the public and private sectors. This version of M_o_R has received much acclaim. It has been taken up by organizations across all sectors, within the United Kingdom and in other countries where the Best Management Practice guidance is being implemented.

As part of the commitment to maintaining the currency of all of its guides, and in response to suggestions for improvement, a decision was made towards the end of 2009 to undertake an interim revision of M_o_R.

The main areas identified as needing to change were as follows:

- Improve consistency with other Best Management Practice products, such as PRINCE2™, Managing Successful Programmes (MSP®) and Portfolio, Programme and Project Offices (P3O®)
- Address issues and inconsistencies raised:
 - In the Change Request Log
 - By the Reference Group
- Ensuring consistency with the newly released international standard on risk management - ISO 31000
- Redesign content according to Best Management Practice updated style guidelines.

What are the main changes to M_o_R?

Before addressing this question, it is appropriate to explain that much of the framework of the original and refreshed M_o_R guides has been retained.

For example:

- Risk management is still approached from the point of view of it being one aspect of internal control, which itself is one aspect of corporate governance
- The need to “define a framework” within which risk management is to be undertaken is still a key message within the revised guide

- Much of the guidance still revolves around the application of a risk management process which enables organizations to identify, assess and control risks
- The need to embed and review risk management is still seen as a key element of implementing an effective approach to risk management
- The guide still provides guidance about how risk management needs to be tailored to meet the needs of different organizational perspectives, i.e. strategic, programme, project and operational
- There is still guidance on the use and application of a wide range of risk management techniques.

The M_o_R framework, based on the four core concepts of principles, approach, process and embed and review has also been retained.

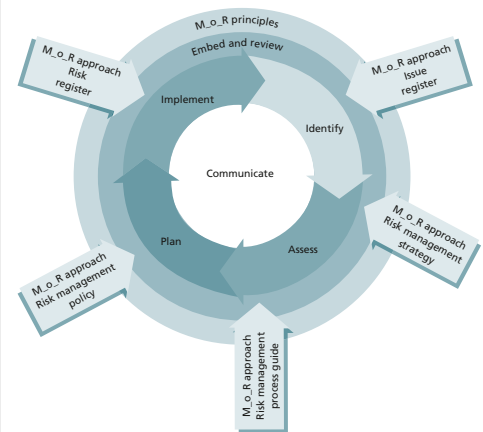


Figure 1 M_o_R framework

In summary, the main changes are to the chapters covering:

- **M_o_R principles**
The principles have been recast to align them with those described in ISO 31000, and to be more consistent with the principles in other Best Management Practice guides
- **M_o_R approach**
This chapter still describes the necessary risk management documentation, but has been improved by moving guidance on specific risk management concepts to the process chapter and now explains the relationships between these documents
- **M_o_R process**
The basic process has not been changed, but greater emphasis is now given to the need for communication throughout the other process steps
- **Embedding and reviewing M_o_R**
This chapter has been rewritten to improve the guidance on how to embed and review risk management.

Improvements have also been made to the Perspectives chapter and the appendices covering the M_o_R document outlines, Common Techniques, Management of Risk health check and maturity model, and the Risk Specialisms.

How have these changes improved M_o_R?

Taking each one of these changes in turn:

M_o_R principles: The previous set of twelve principles was derived from corporate governance requirements and consisted of five foundation principles and a further seven successive principles. These have been replaced by eight principles, which are informed by both corporate governance principles and the international standard for risk management ISO 31000: 2009.

The principles are:

- **Aligns with objectives**
- **Fits the context**
- **Engages stakeholders**
- **Provides clear guidance**
- **Informs decision-making**
- **Facilitates continual improvement**
- **Creates a supportive culture**
- **Achieves measurable value.**

The first seven principles are enablers. The final principle is the result of implementing risk management well.

Because M_o_R is principles-based, it is able to provide a framework for risk management that can be applied to any organization regardless of its size, complexity, location, or the sector within which it operates.

M_o_R approach

The way in which the above principles are implemented will vary from organization to organization. Collectively the principles provide a foundation from which risk management practices can be developed. These practices describe how risk management will be applied throughout an organization – the M_o_R approach.

Central to the M_o_R approach is the creation of a set of documentation comprising:

Risk Management Policy

Describes why risk management is important to the organization, and the specific objectives served by implementing a formal risk management approach

Risk Management Process Guide

Describes how an organization intends to carry out risk management and the role and responsibility of people who perform risk management related tasks

Risk Management Plans for each organizational activity. Documents the way the risk management policy and process will be implemented for each specific organizational activity.

In support of the above, the M_o_R approach also recommends the use of other documents. These documents fall into these three categories of records, plans and reports:

Records

- **Risk register**, to capture and maintain information on all of the identified threats and opportunities relating to a specific organizational activity
- **Issue register**, to capture and maintain information in a consistent, structured manner on all of the identified issues that are happening now and require action.

Plans

- **Risk improvement plan**, to assist with embedding risk management into the culture of the organization and to document planned improvements

- **Risk communications plan**, to describe how information will be disseminated to, and received from, all relevant stakeholders of a particular organizational activity
- **Risk response plan**, to detail specific plans for responding to a single or linked set of risks.

Reports

- **Risk progress report**, to provide regular progress information to management on risk management within a particular organizational activity.

The revised guide also describes the relationships between these documents, which is illustrated by the diagram below.

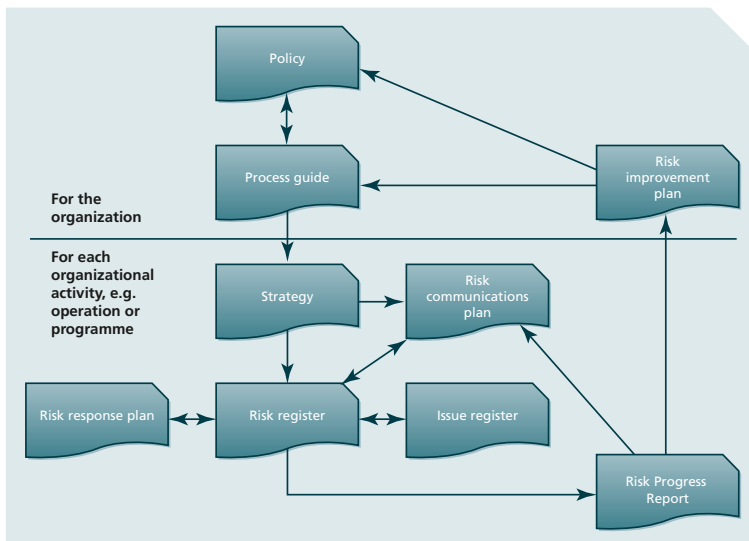


Figure 2 Relationship between documents

M_o_R process

The existing process has been retained, with its four primary steps:

- **Identify**
- **Assess**
- **Plan**
- **Implement.**

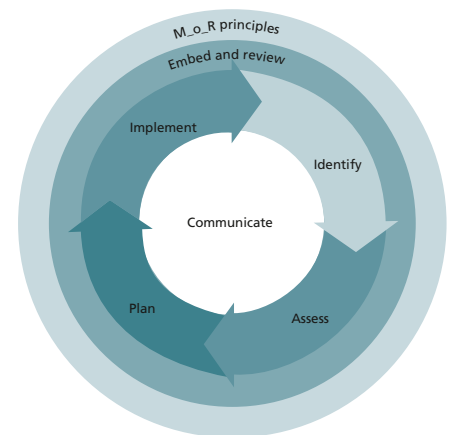


Figure 3 The management of risk process

The steps are represented as a circle of arrows as it is common for the entire process to be completed several times in the lifecycle of an organizational activity. The activity 'communicate' is central as the findings of any individual step may be communicated to management for action prior to the completion of the overall process.

The explanation of each process step has also largely been retained, by describing their:

- **Goals:** the key outcomes of the process
- **Inputs:** the information that is transformed by the process
- **Outputs:** the information produced by the process
- **Techniques:** the recognized risk management tools and techniques that may be applied to the process step to help create the outputs
- **Tasks:** the actions that need to be completed to transform the inputs into the outputs with the aid of the techniques.

A key improvement has been to bring the guidance on the communicate activity to the beginning of the chapter to emphasise its importance throughout the other process steps.

Also, the guidance relating to specific risk management concepts is now provided alongside the process step where it is most relevant. For example:

- Guidance on risk descriptions is now provided as part of the identify the risks process step
- Guidance on risk responses is now provided as part of the plan process step.

Embedding and reviewing M_o_R

This chapter has been refocused on embedding the M_o_R principles by:

- Changing the culture for risk management. Whilst the M_o_R approach and associated records, plans and reports provide the documented commitment to risk management, to change the culture, these documents need to be understood, valued, implemented and improved by staff across the organization
- Measuring the value of implementing a framework for risk management. A number of indicators can be used to judge the success of efforts to build a risk management culture
- Overcoming the common barriers to success. There are a number of barriers or constraints common to the implementation of risk management that need to be overcome
- Identifying and establishing opportunities for change. Organizations should identify opportunities to emphasize their support and commitment to risk management, deliver key messages, and check that risk management is taking place appropriately.

Perspectives

The guide still describes how the M_o_R principles need to be applied across the four inter-related perspectives within the organizational contexts, that lie somewhere on a continuum between:

- Maintaining the status quo through day-to-day management of the organization's product or service delivery, and



Figure 4 Interrelationships between different organizational perspectives

- Establishing the future direction for the organization and moving the organization in that direction by means of change management.

M_o_R document outlines

This appendix has been improved by providing, for each of the documents referred to in the M_o_R Approach, a statement of the document's purpose followed by brief descriptions for each composition item of the document.

Common techniques

The techniques are still presented in the order in which they are most likely to be used as part of the M_o_R process, but some of the less common techniques have been removed and there is now a more consistent level of guidance about each of the techniques.

Management of risk health check

The guidance on undertaking a health check has been retained, but the actual health check questions have been reformatted to align to the revised M_o_R principles. This ensures that organizations are able to check the health of current risk management practices and identify areas where the application might be improved.

Management of risk maturity model

This appendix still provides an introduction to the subject of maturity models, their use, composition and benefits. The M_o_R Maturity Model has been updated to align with the revised M_o_R principles and a brand new section has been added to introduce readers to OGC's Portfolio, Programme and Project Management Maturity Model (P3M3®).

Risk specialisms

The list of specialisms described has been expanded to include the following:

- Business continuity management
- Incident and crisis management
- Health and safety management
- Security risk management
- Financial risk management
- Environmental risk management
- Reputational risk management
- Contract risk management.

In each case, the specialism is briefly explained and then references are provided to enable the reader to undertake their own further research into any of these areas.

Conclusions

A great deal of effort has gone into this update with a view to enhancing the guidance given, bringing it up to date with current best practice, whilst ensuring that it is still accessible and maintains the strengths of the previous guides.

Has it been achieved?

Well, as Frances Scarff, Head of Best Management Practice states in her foreword "This guide provides an accessible framework for taking informed decisions on managing risk throughout the organization. Embedding the M_o_R approach and establishing a risk culture will assist the whole organization in becoming more successful."

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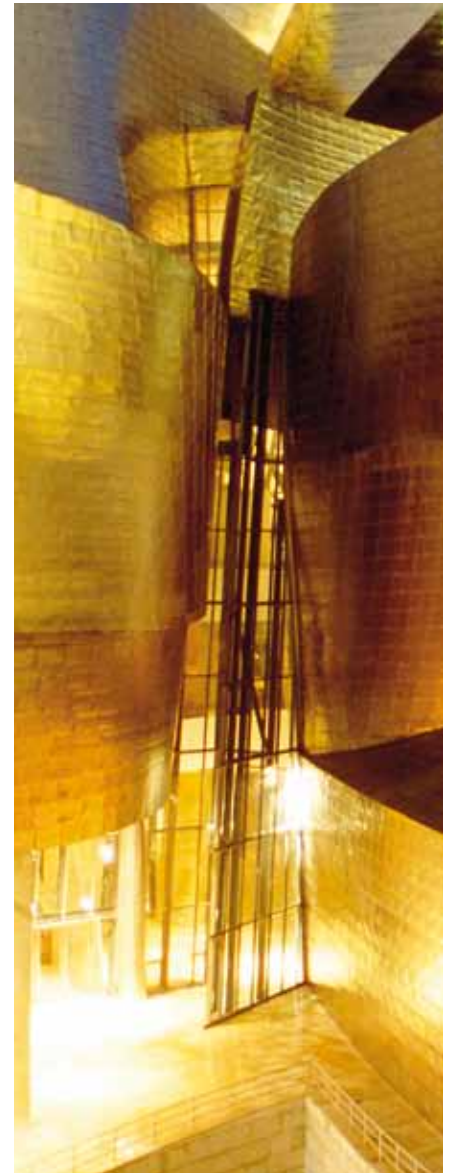
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