

Risk Management Report and Tool Kit

"Risk is managed through information and knowledge; knowing the inherent risks enables risk managers to implement appropriate minimisation policies and strategies as well as early warning systems."



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Author Profile



This report was written by Jela Webb, who in 1992 was appointed to a new role, Risk Review Manager, in a UK bank with responsibility for focusing on financial risks and ensuring that lenders complied with risk management policies and strategies.

Via MBA studies, Jela developed an interest in knowledge management and subsequently headed up the Bank's KM Team before establishing her own strategic and advisory consultancy, Azione Consulting. She works with clients in both the private and public sector.

With her experience in the fields of risk and knowledge management she is ideally placed to comment upon the close links between these two management disciplines and has presented on these topics at national conferences.

In addition to running her own consultancy, Jela is a Visiting University and Business School Lecturer as well as a regular contributor to FreePint. She has also been successful in having articles and book reviews published in leading KM journals.

Jela may be contacted via www.azione.co.uk or via e-mail jela.webb@azione.co.uk

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Contact

FreePint Limited
4-6 Station Approach, Ashford,
Middlesex, TW15 2QN, United Kingdom
e: support@vivavip.com
w: www.vivavip.com
t: 0870 141 7474
i: +44 870 141 7474



Introduction

By Jela Webb



In 1995, Shell Oil suffered significant reputational damage as a consequence of the disposal of Brent Spar oil-rig in the North Sea. Whilst Shell had carefully considered the alternatives and received advice that the most environmentally friendly method of disposal was sea-based, the company had not communicated this clearly enough to the wider public and perhaps more importantly to pressure groups. As a consequence, Shell faced an orchestrated campaign, leading to a boycott of their stations with resulting losses.

The same year saw the demise of Barings Bank when 'rogue trader' Nick Leeson single-handedly incurred losses of £900m. Despite learning lessons (?) and Banks across the world tightening up on operational risk, in 2002 we saw a similar case at Allfirst, a US subsidiary of a European bank, where a lone trader, John Rusnak, similarly incurred significant financial losses, reducing the Bank's market capitalisation hugely.

Highly publicised corporate failures such as Enron, Parmalat, WorldCom as well as the pensions scandals at Equitable Life and Mirror Newspapers have all served to focus attention upon the way organisations are managing risk. Today shareholders as well as other organisational stakeholders are calling for procedures to tighten up guidelines in respect of risk management and not just leaving it there, but also calling for evidence of risk monitoring measures as well as requiring formal reporting in what is now becoming a core business process.

Risk management (RM) as a discipline has been around for many years but it is in the last decade that it has really become prominent in the minds of organisations, not least because of these kinds of high-profile, reputation-damaging incidents and financial scandals.

RM has natural confluence with Knowledge Management (KM). Sensing and responding to potentially damaging incidents is very much dependent upon using organisational knowledge and intellectual capital to minimise risk. The 'corporate know-how' that is a key principle in knowledge management programmes is also highly relevant when considering how best to manage risk. The capture, sharing and use of such knowledge however cannot be left to chance and needs to be managed in such a way so that **all** employees feel able to share their concerns openly and without fear of any reprisal; they must be encouraged to share the 'bad news' before it reaches a stage where the situation is unrecoverable. No board of directors or management team wants to be left in the dark about a potential risk. Developing a no blame culture, as promoted in effective knowledge management initiatives enables employees to feel able to express any concerns they have about operations.

Today's complex regulatory environment, including the emergence of corporate governance codes, increasing legislation, compliance and the (American) trend towards a compensation culture and greater readiness to litigate, is forcing organisations to take the management of risk seriously and to regard it as an integral component of overall business strategy.

Within the last decade a rising number of organisations have created a role –

Introduction

-- continues --

"There seems to be an increasing appreciation in some organisations that effective communication coupled with the development of a learning culture, with openness, lack of blame and a readiness to analyse and learn from past mistakes – all key tenets of a successful knowledge-management programme – are also key to effective risk management."

the Chief Risk Officer (CRO) - whose influence is growing. Typically, the financial services industry led the way, but the CRO is now becoming much more commonplace in a variety of sectors.

All organisations, small, medium or large, face risks on a daily basis. In fact, a certain level of risk is a necessary component of a healthy business. The key is to determine the organisation's appetite for risk and manage risks accordingly. It is quite possible that an organisation may decide to take a high level of risk as part of a deliberate strategy -- and there is nothing wrong with this approach, so long as decision-makers are aware of potential consequences and have strategies in place to minimise any adverse impact.

As the business world has become more global, operational risks have increased. No organisation can afford to ignore risk, and knowledge management practices can be a critical and useful component of a business culture in which all employees are actively involved in minimising the organisation's exposure to unacceptable risks. There seems to be an increasing appreciation in some organisations that effective communication coupled with the development of a learning culture, with openness, lack of blame and a readiness to analyse and learn from past mistakes – all key tenets of a successful knowledge-management programme – are also key to effective risk management.

Risk management is a discipline that can no longer be relegated to the back office, to be ignored or believed to have no applicability to organisations. For many organisations, this reality will only hit as a result of an actual threat that will galvanise them into action.

One might safely say that risk management and knowledge management are no more or no less than good management. Savvy organisations show no reluctance in addressing the issues involved.

Use this report

Risk Managers:

- Review report and tool kit contents for an overview of the concepts and steps within a risk management programme
- Identify appropriate internal resources for working on tool kit activities
- Complete or manage tool kit activities
- Complete template for risk management systems (Item #8 in Risk Management Tool Kit)

General Managers:

- Review report for an overview of the concepts and steps within a risk management programme
- Approve allocation of internal resources for working on tool Kit activities
- Review completed template for risk management systems
- Authorise action based on results

Staff:

- Scan report for an overview of the concepts and steps within a risk management programme
- Collaborate on tool kit activities
- Retain glossary for quick reference
- Make RM part of everyday responsibilities

✓ Tool Kit - Activity 7: Tool Checklist

Many of the tools already implemented for knowledge management and internal communication also have use within RM. Use this checklist to highlight tools you are already using as well as tools you want to use.

Tool	Could use for RM			Don't currently use but would like to
	Currently use for KM	No modification	Some modification	
Communities of practice				
Intranets				
Portals				
Online discussion forums				
Face-to-face knowledge exchanges				
Internal newsletter				
Internal 'yellow pages'				
External 'yellow pages'				
After Action Reviews				
Searchable knowledge base				
Knowledge centre (online or offline)				
Mentoring programs				
On-demand learning modules				
Other:				
Other:				
Other:				

Next Steps:

It's easier to re-deploy or adapt a tool rather than build something new. Select a couple of tools you are already using and identify the steps you need to take to apply or adapt them to a RM initiative.

FreePint FUMSI Report -- Risk Management



Risk Management Report

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Risk is an unavoidable part of doing business, and managing risk is part of everyone's job – from the board room to the shop floor. To manage risk effectively, organisations must process internal and external information on strategy, environment, regulations, competitive landscape and more. They must process that information through a systematic protocol for managing risk in a constantly changing environment.

This report provides a practical overview of risk management and can be used by executives, managers and staff to gain a solid understanding of the tools and processes of risk management. The included tool kit of 8 hands-on worksheets and activities helps users translate the information into an actionable risk management plan.

Author Jela Webb is a noted consultant, writer, speaker and trainer in knowledge management and risk management fields. In 1992, she was appointed to a new role, Risk Review Manager, in a UK bank, and she has further developed her expertise in the field through MBA studies.

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