

Maximising Value to Stakeholders through Risk Management

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Our Presenter – Lisa Shi (BEng, MSc, SIRM, MIET, MHKIE and MSaRS)

- Lisa specialises in risk management and is a specialist member of the Institution of Risk Management in UK.
- The Head of Risk Management for EC Harris ARCADIS in Asia and has been involved extensively in delivering risk management strategies and solutions for multiple industries to promote effective integration of CAPEX and operational risks through life cycle approach.
- She has substantial practicable working experiences in the region for clients on corporate real estates, data centre, construction and infrastructure projects. Also training and advising organisations on the development and implementation of risk management principles, plans and business continuity strategies that cover different aspects of a business.
- Believe in integrated approach to risk management, project & programme management and asset management.
- Project experience in Hong Kong, Mainland China, Singapore, Thailand, Taiwan, Korea, Australia and UK.

“Effective risk management is about expanding your capability to respond to speedy changes and uncontrollable events”



Agenda

- Risk Management and Stakeholder Management: the commonalities
- Benefits of Risk Management to Stakeholders
- Alignment of Stakeholder and Risk Management Plan to drive satisfaction of stakeholders
- Minimise pitfalls in Risk Management Process
- Motivate Stakeholders in Risk Management
- Typical points of interests and concerns in Risk Management
- Stakeholder Management in Project Control

The commonalities

Stakeholder Management vs Risk Management



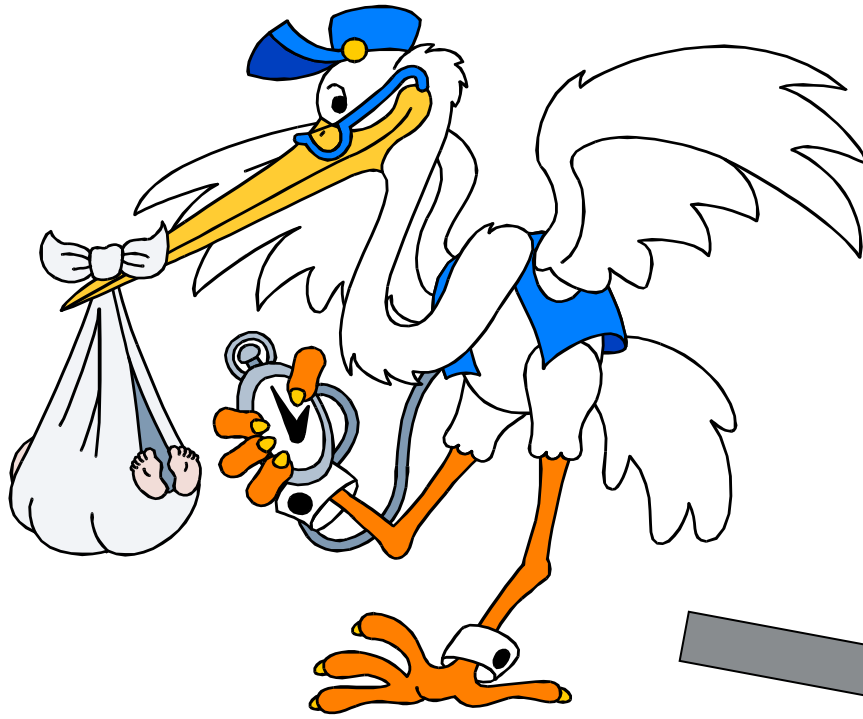
70%? 90%?

The commonalities



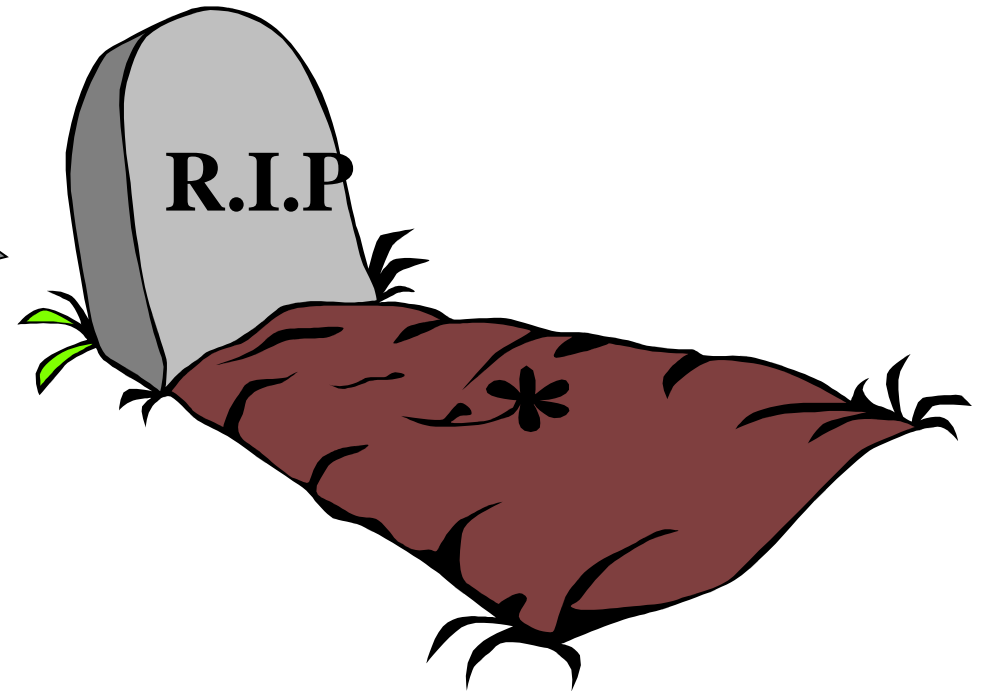
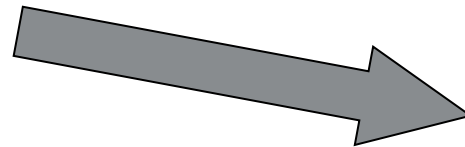
Source: whiskey40k.blogspot.com

The commonalities



FROM THE CRADLE TO THE GRAVE

e.g. Transaction, Capex & Opex



The commonalities

Accident Iceberg - The Hidden Cost of Accidents



How dangerous is something that we can see?

It can be what we do not see that will hurt us!

Risk Management and Stakeholder Management

Risk Management

- “Systematic application of policies, procedures, methods, and practices to the tasks of identifying, assessing, planning and managing risk” (APM PRAM Guide)
- “The effect of uncertainty upon objectives where an effect is a deviation from the expected - positive or negative” (ISO31000 Risk Management)
- Proactive management of undesired event
- An integral part of good facility and project management
- A source of proven benefits

Stakeholder Management

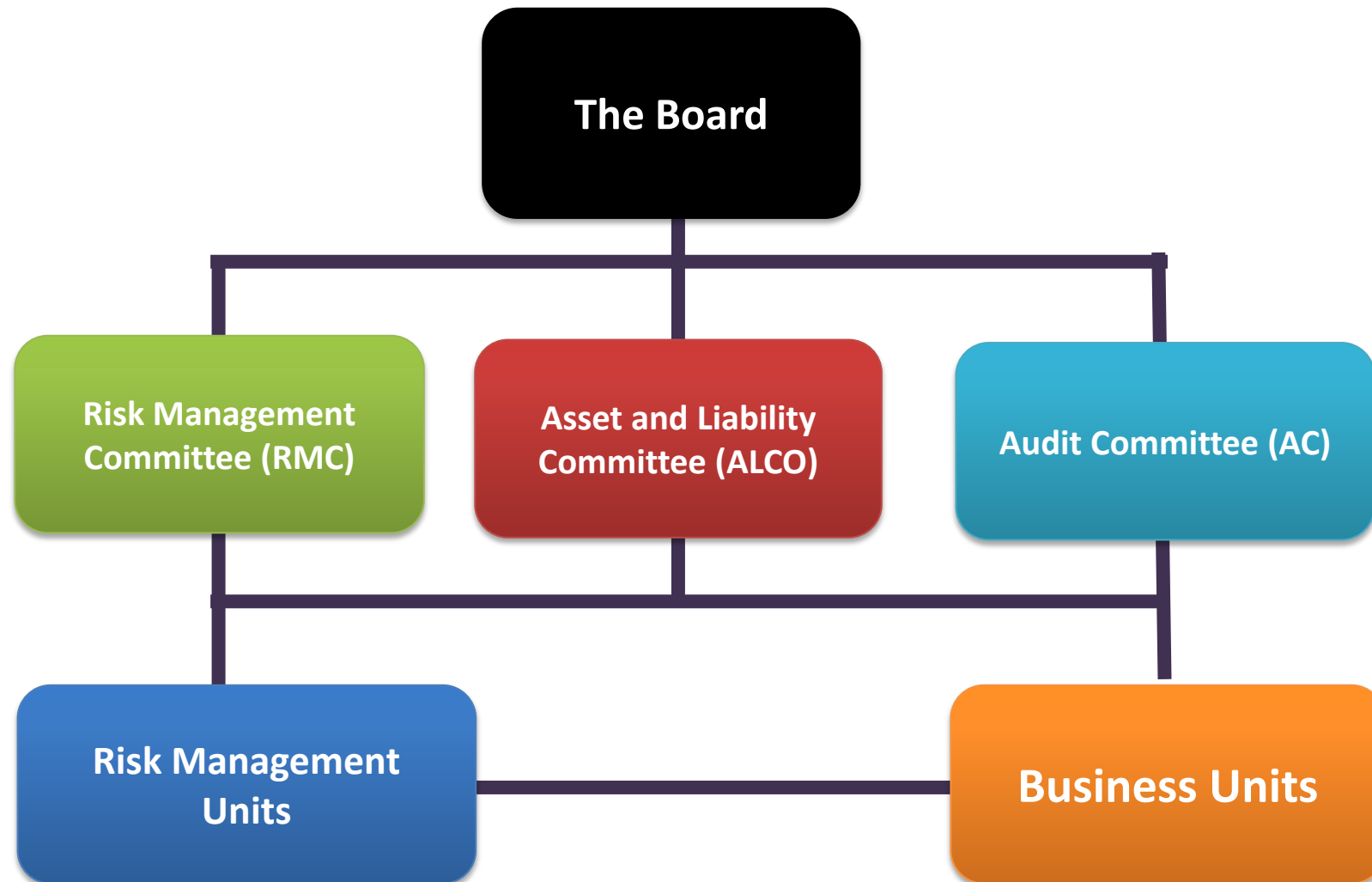
- The process of managing the expectation of anyone or organisation that has interest in a project, programme or activity, or will be effected by its deliverables or outcomes
- Understand the values and issues of stakeholders
- Engaging the right stakeholders in the right way
- Support sustainable competitive advantages



Risk Organisation and Control at Enterprise/Board and Project Level

Risk Governance Structure

Typical risk governance structure in financial industry:



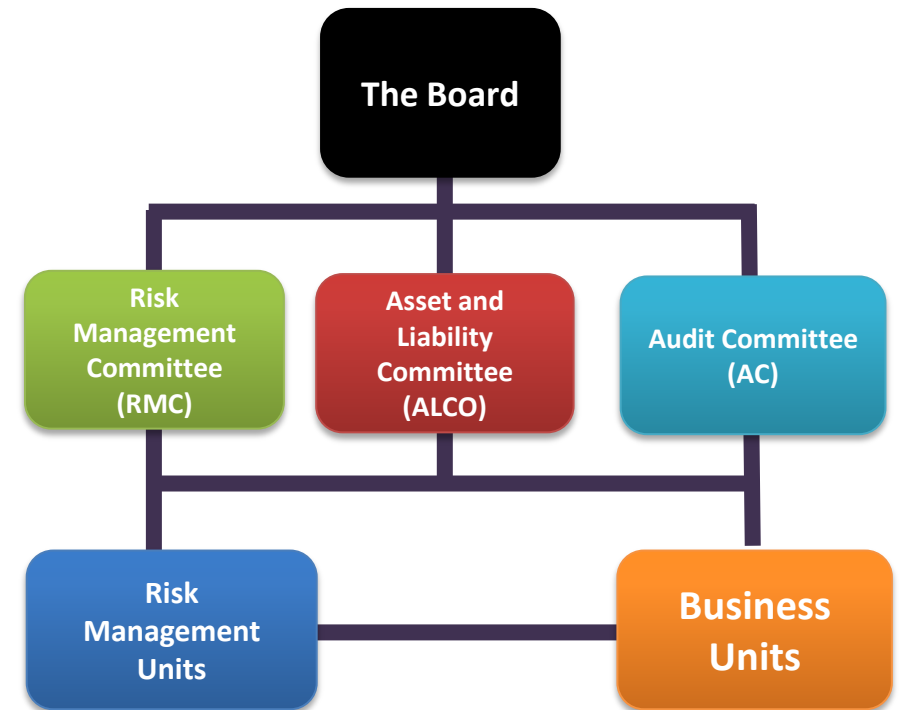
Risk Ownership and Functions

Risk Ownership and Responsibilities

- Everybody working for the organisation will need to be made aware of their risk management responsibilities, as well as contractors and suppliers.
- Ownership of core processes, key dependencies and risks is important, because it enables the risk management and audit to monitor actions and responsibilities.
- Any confusion of responsibilities and reporting structure must be eliminated. There needs to be clear statements of responsibilities for the following aspects of the management of each priority significant risk:
 - Setting required risk standards.
 - Implementing risk standards.
 - Monitoring risk performance.

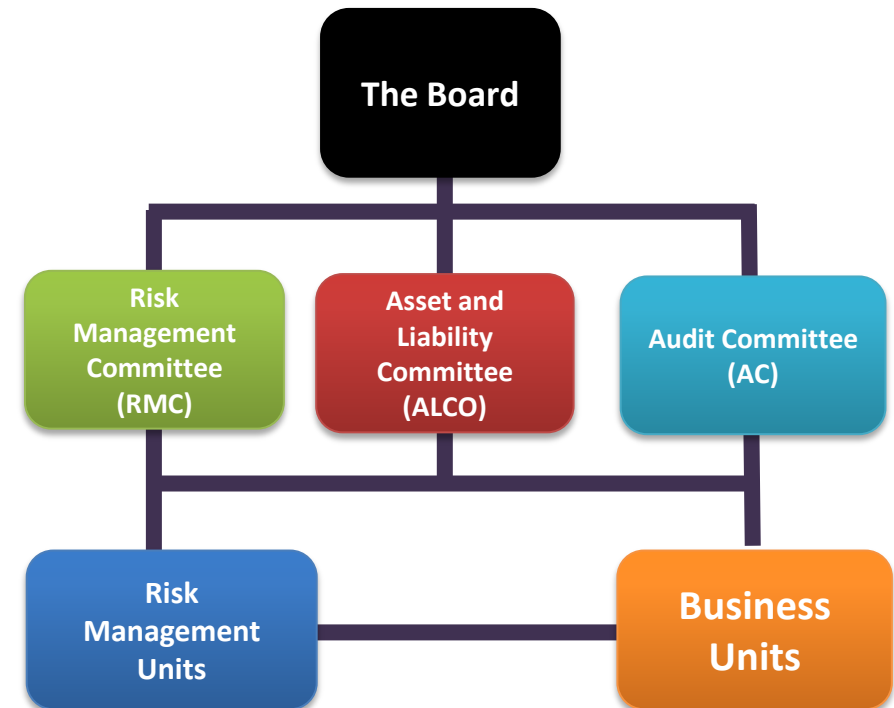
Risk Governance Structure

- **The Board:**
 - Require and encourage a strong risk governance culture which shapes the company's attitude to risk
 - Oversee the maintenance and development of a robust risk management framework with Risk Management Committee
 - Approve company's risk appetite



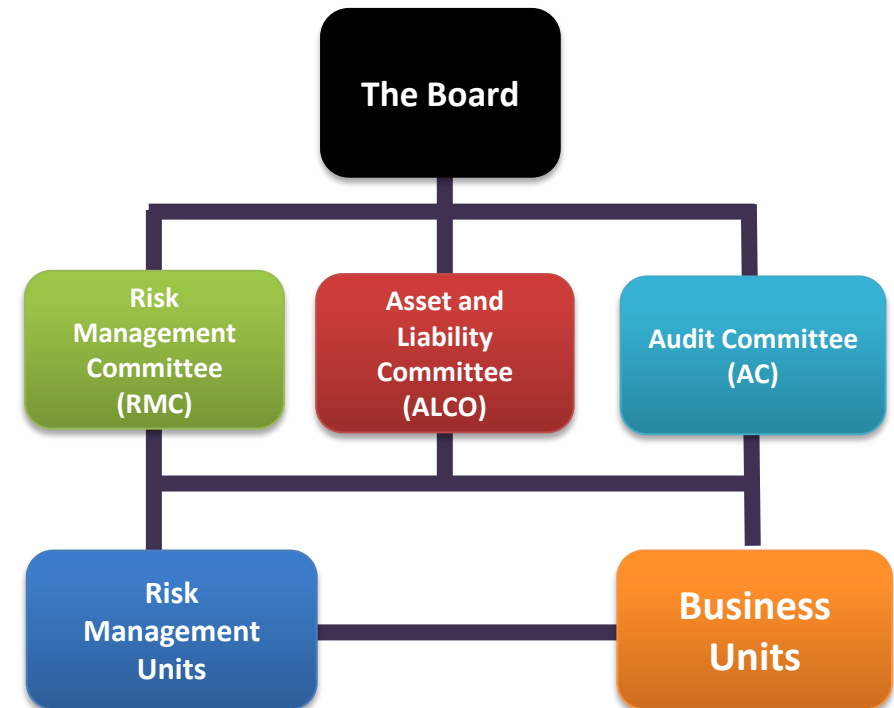
Risk Governance Structure

- Risk Management Committee:
 - Advise the Board on:
 - Risk appetite
 - Risk governance
 - High-level risk-related matters
 - Internal controls
 - Oversee the maintenance and development of a robust risk management framework
 - Monitor and review the effectiveness of the risk management framework and the systems of internal control and compliance



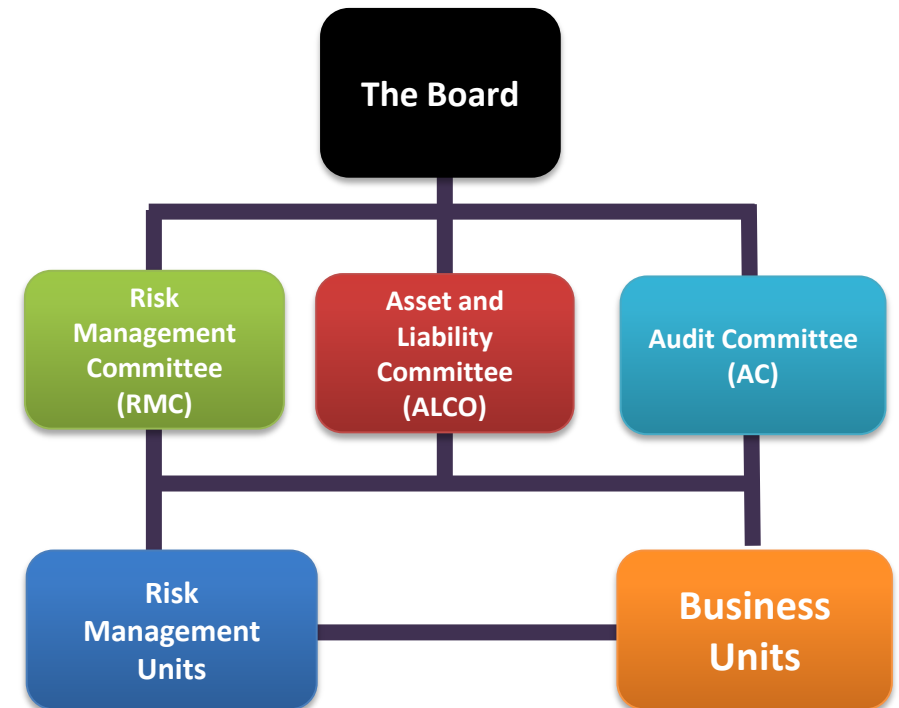
Risk Governance Structure

- **Asset and Liability Committee:**
 - Set the approval authority framework in respect of liquidity risk
 - Periodically reviews the company's capital structure and adjusts the capital mix
 - Review and formulate Contingent funding plan



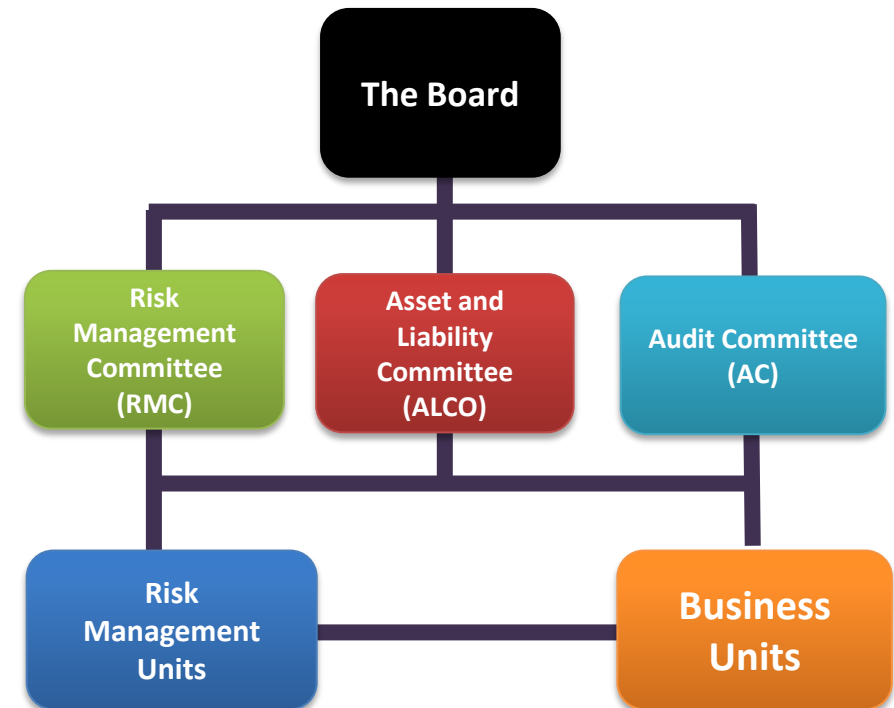
Risk Governance Structure

- **Audit Committee**
- Internal Audit to review risk-related matters against processes and procedures e.g.
 - Company's risk management framework,
 - Risk appetite statement profile,
 - Enterprise stress testing analysis,
 - Risk dashboards,
 - Risk maps,
 - Top and emerging risks, and
 - Balance sheet management



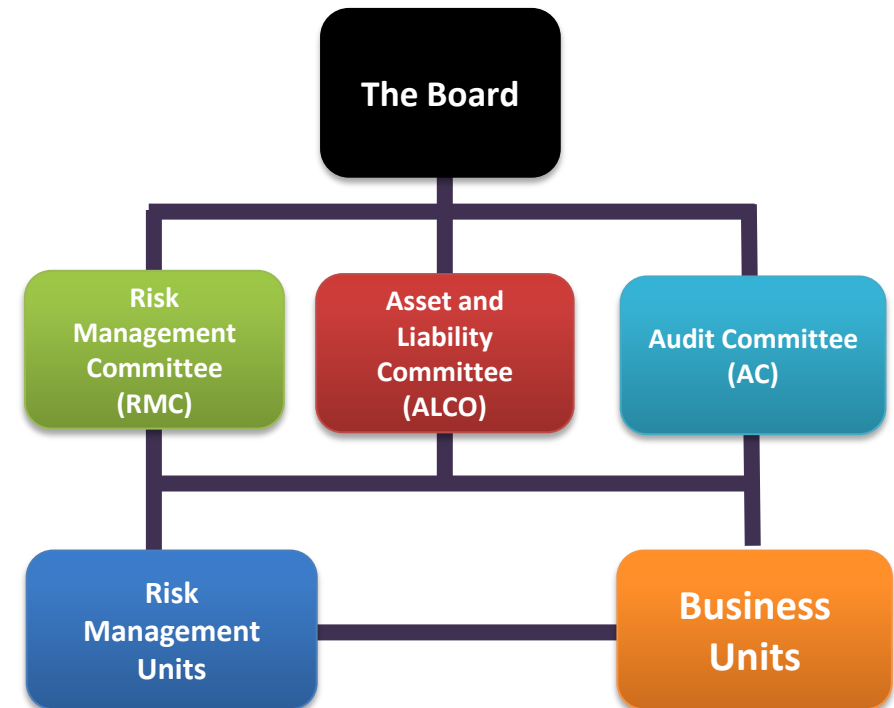
Risk Governance Structure

- Risk Management Units
 - Report to Risk Management Committee
 - Independently identify, quantify, analyze of the risks undertaken by the firm
 - Make recommendations on how to manage the risk identified including top and emerging risks
 - Formulate trigger & limits, and actions against breaches
 - Develop and implement risk measurement methodologies
 - Set up policies for effective risk communication including use of risk



Risk Governance Structure

- **Business Units**
 - Respond to risks in the day to day business process
 - Ensure key risks within the operation are identified, mitigated, and monitored by appropriate internal control within the overall control environment and timely
 - Report to Risk Management Units on risk assessment

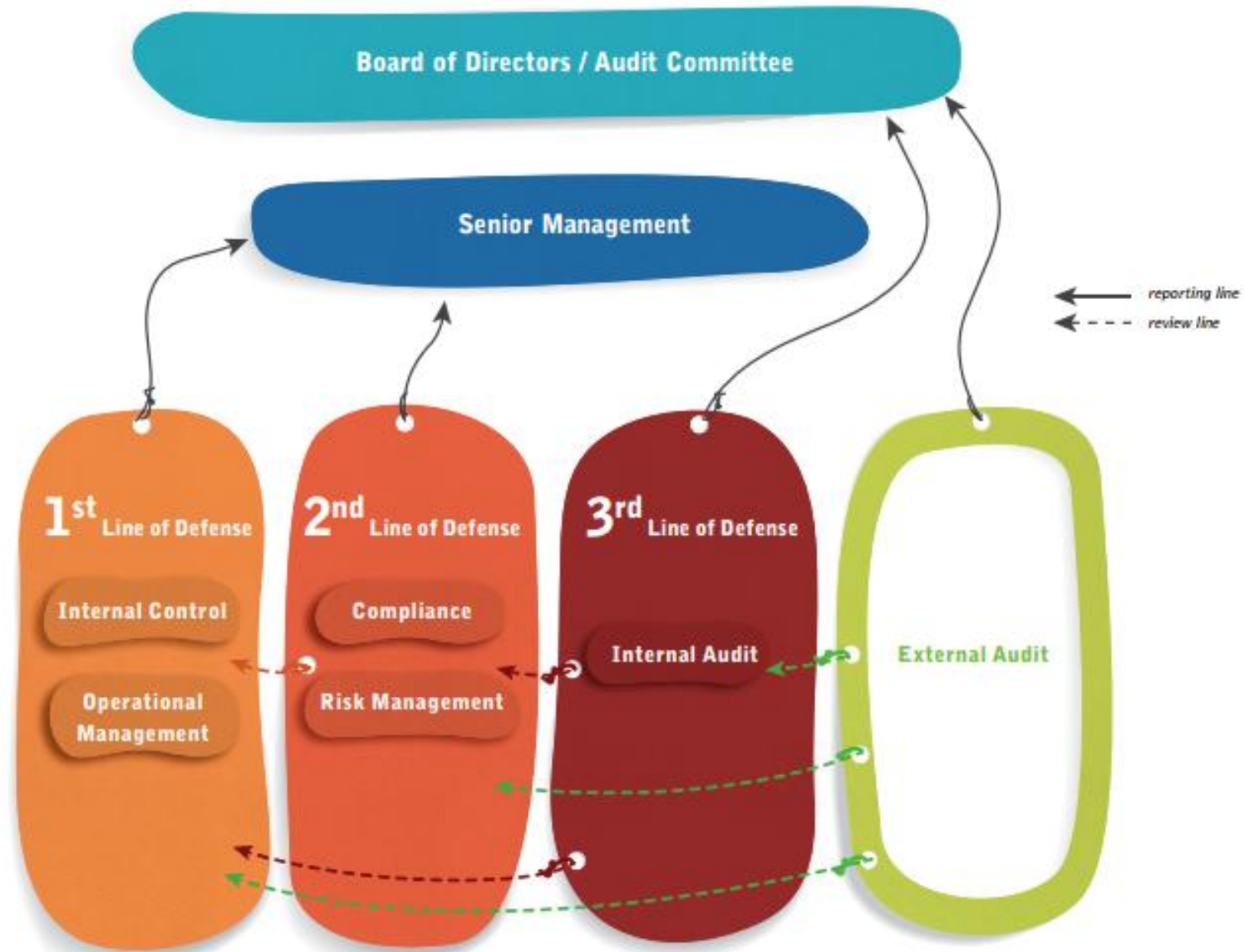


Board & Risk Management Unit

- The Board should ensure the risk management processes designed and implemented by executives and risk managers are adapted to and integrated with the corporate strategy and are functioning as directed
- Direct communication between the Board of Directors and Risk Management Committee is a key factor in the success of risk management

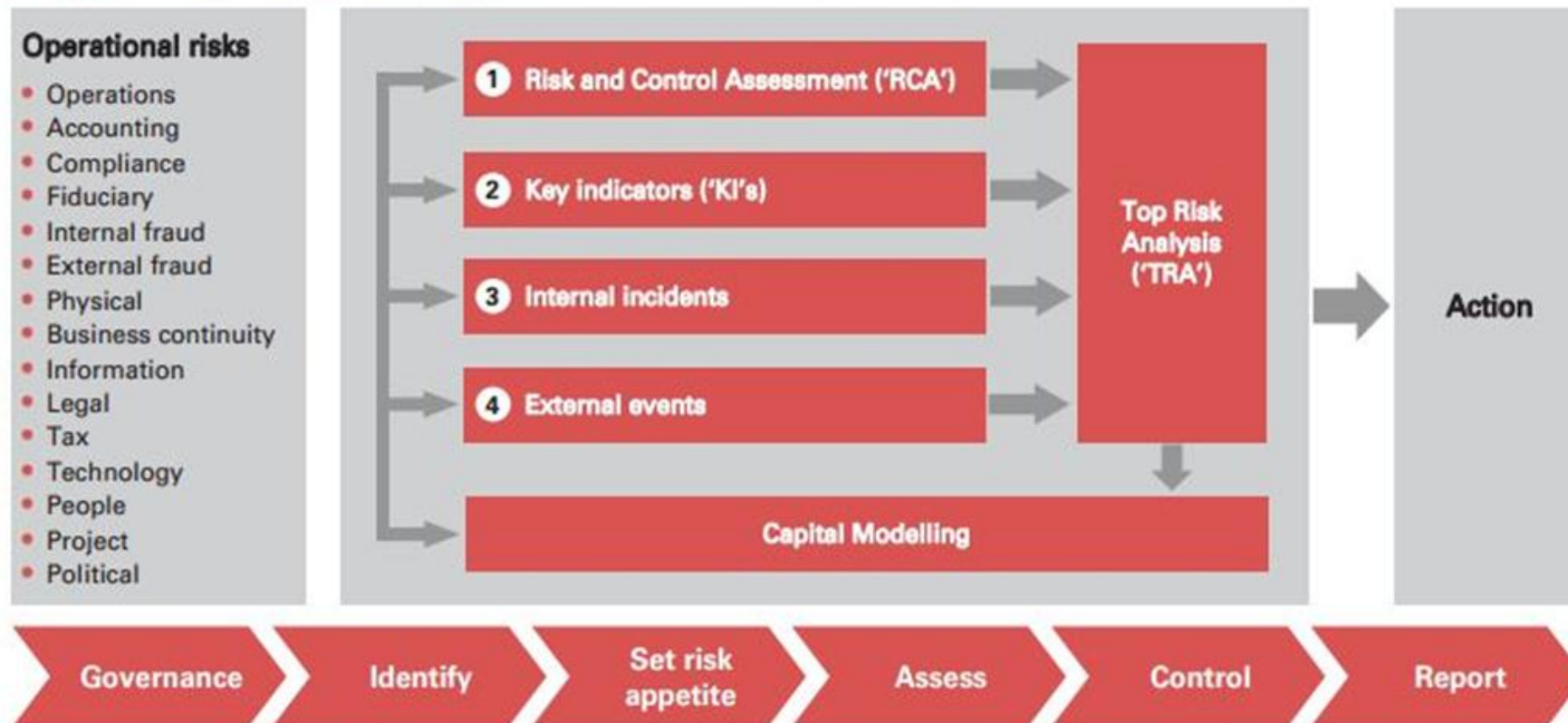


Internal Control – 3 Lines of Defense



Internal Control

Operational:

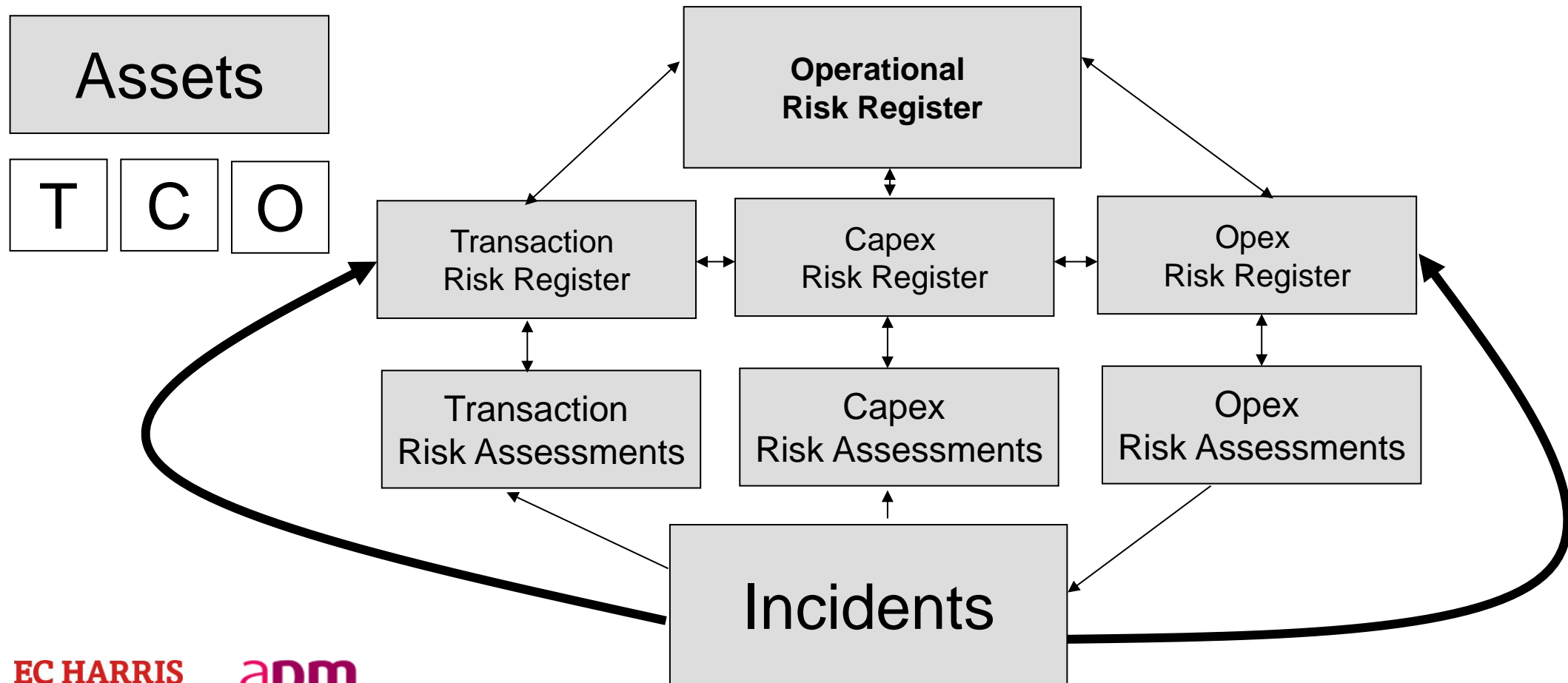


- RCAs are used to inform the evaluation of the effectiveness of controls over top risks.
- KIs are linked to TRAs to help monitor the risks and controls in the operational risk system.
- Internal incidents are used to forecast typical losses.
- External sources (e.g. Fitch and ORX databases) are used to inform the assessment of extreme TRAs.

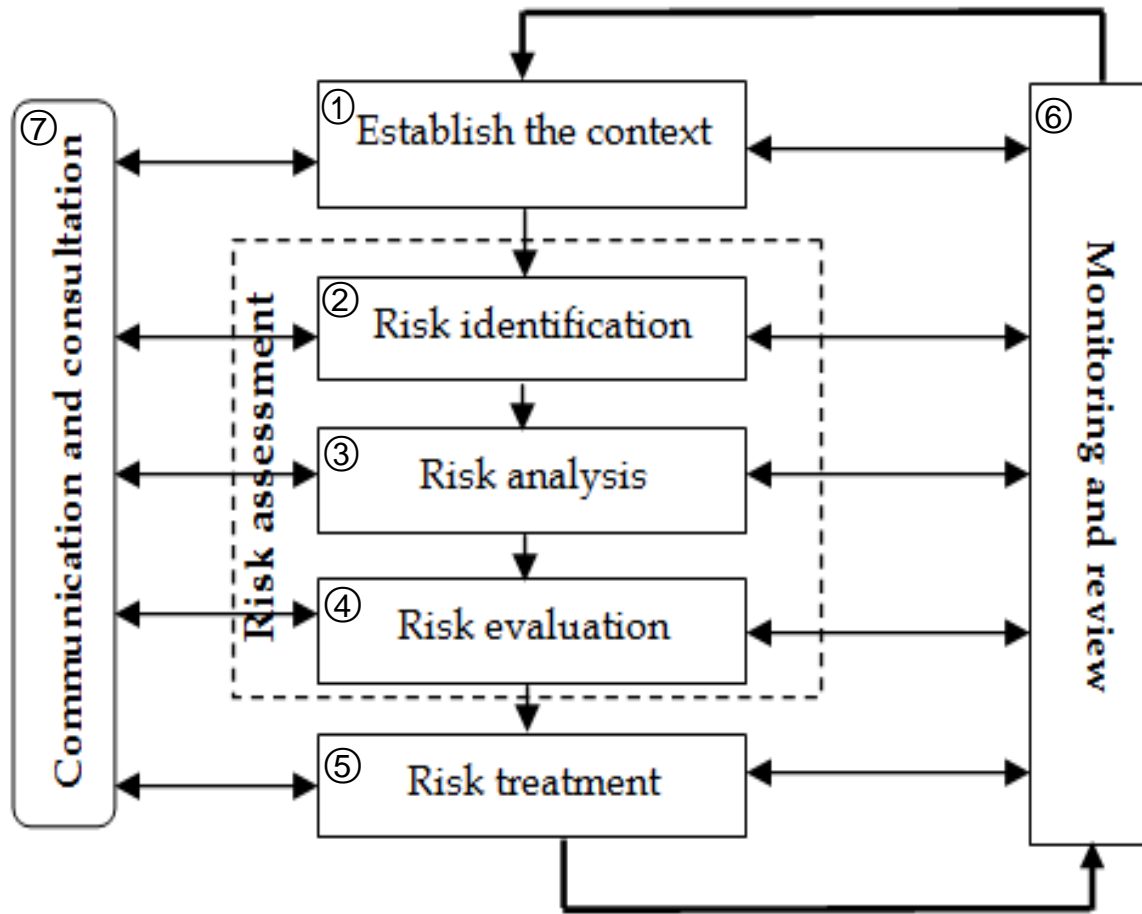
Ref: HSBC Holding Annual Report 2012

Project & Programme Level

INTEGRATED RISK MANAGEMENT



Risk Management Process: Connections with Stakeholder Management

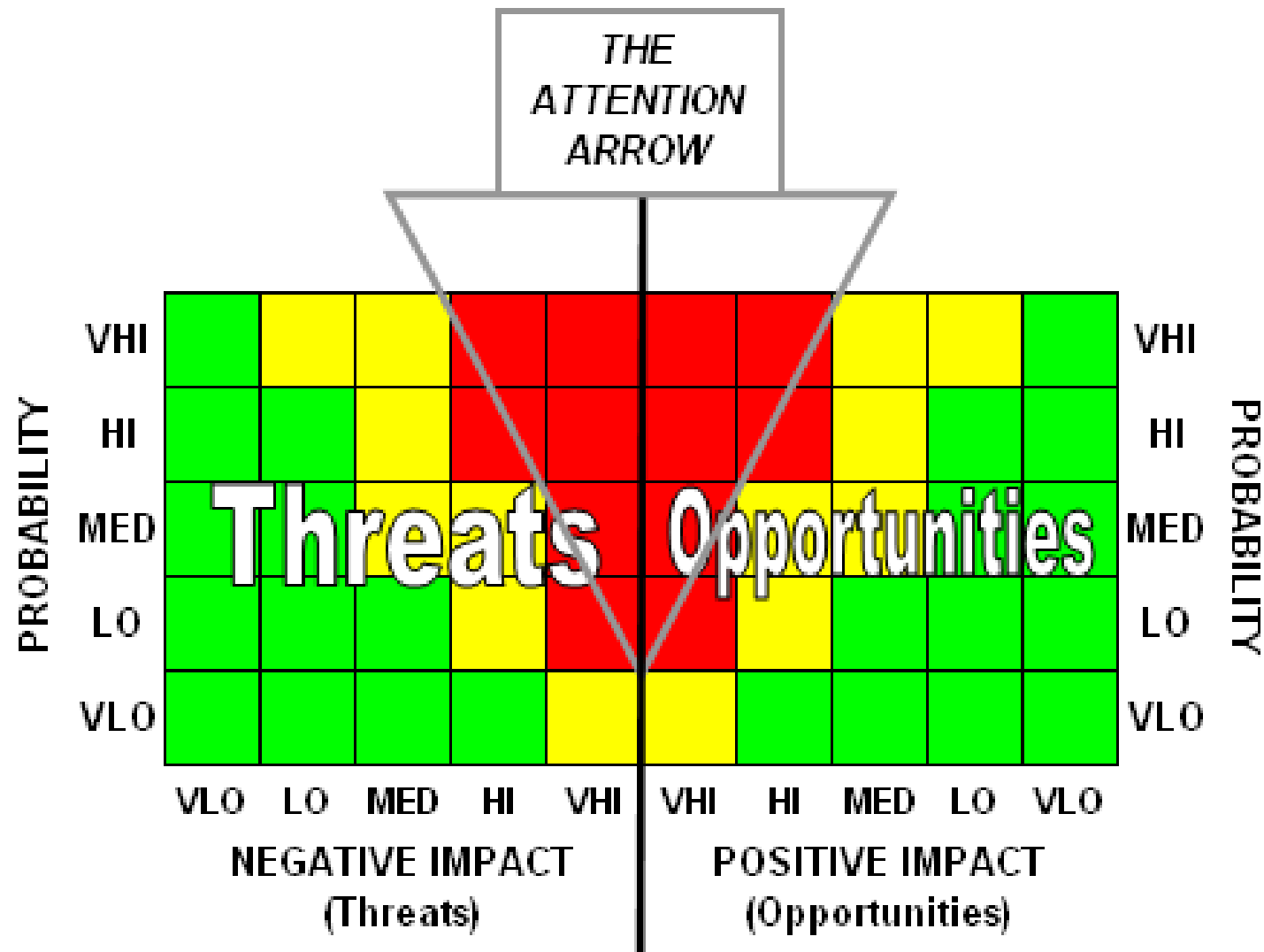


Treat risks/opportunities

- ①
 - Bring stakeholders to understand their expectations for successful delivery of project.
 - Develop common risk criteria.
- ②
 - Identify risks that could affect stakeholder expectations.
 - Stakeholders are the information sources for unknown-unknown risk.
- ③
 - Analyse the risk and determine the risk level against predefined risk criteria agreed with stakeholders.
- ④⑤
 - Develop risk response plan with stakeholder consultation to take their expectations into account.
- ⑥
 - Engage stakeholders for monitoring, review and evaluation of risk response plan.
 - Provide stakeholders with necessary support to enhance willingness of participation and ownership.
- ⑦
 - Transparency of risk information to stakeholders.
 - Communicate the benefits and drawbacks of actions.

Source: ISO31000:2009 Risk Management Standard

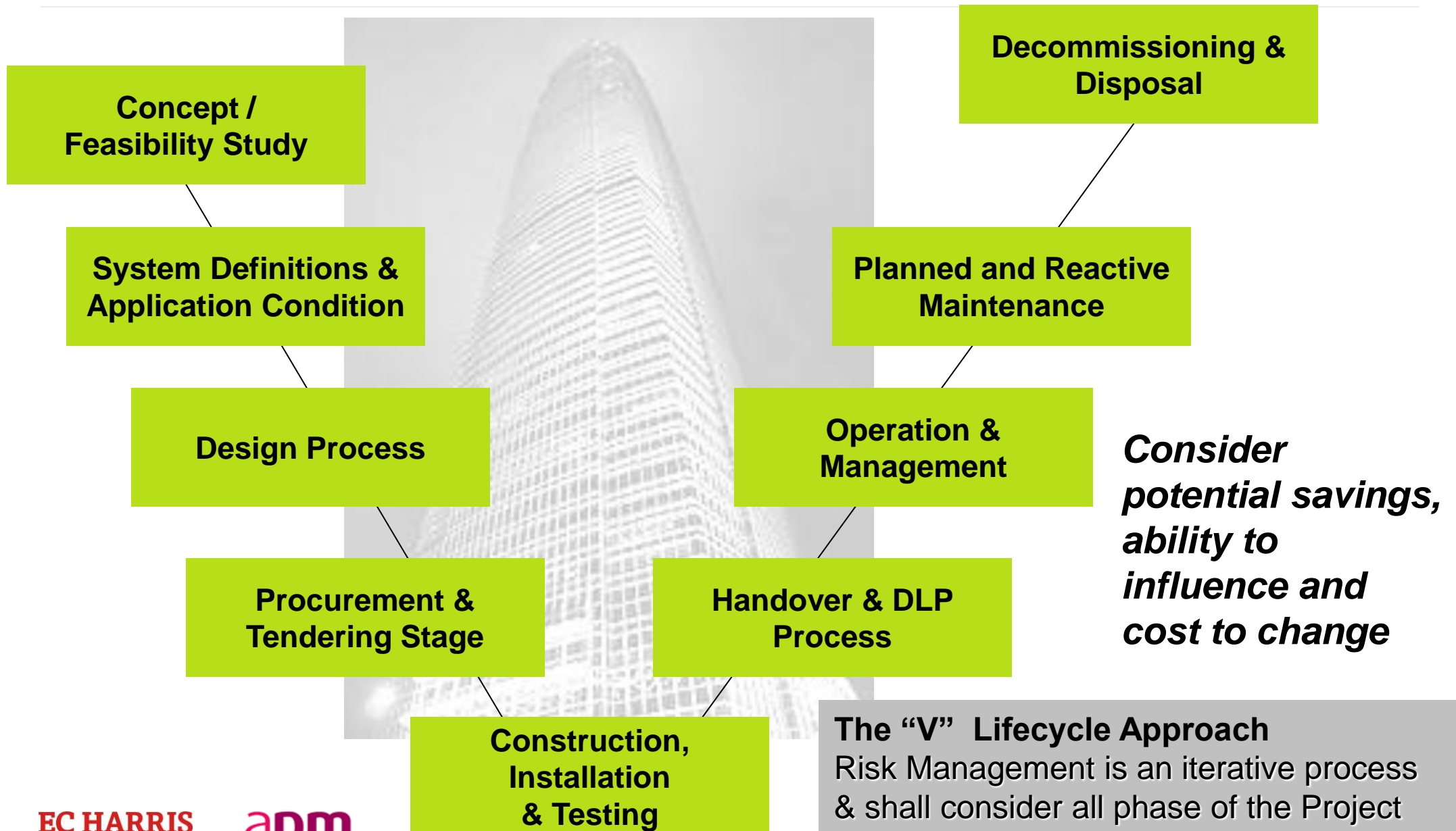
Risk – Threats or Opportunities?



Risk Management & the Business



Typical Stages (V-Lifecycle)



The “V” Lifecycle Approach
Risk Management is an iterative process & shall consider all phase of the Project life cycle appropriate to the contract

Benefits of Risk Management to Stakeholders

Hard Benefits

- Visualise the linkage between stakeholders' expectations and risk associated
- Enables better informed and more believable plans, schedules and budgets
- Increase the likelihood of delivery of desired outcomes
- Discourage the acceptance of financially unsound options
- Enable objective comparison of alternatives
- Facilitates decision making
- Identify and allocate responsibility to best risk owner

Soft Benefits

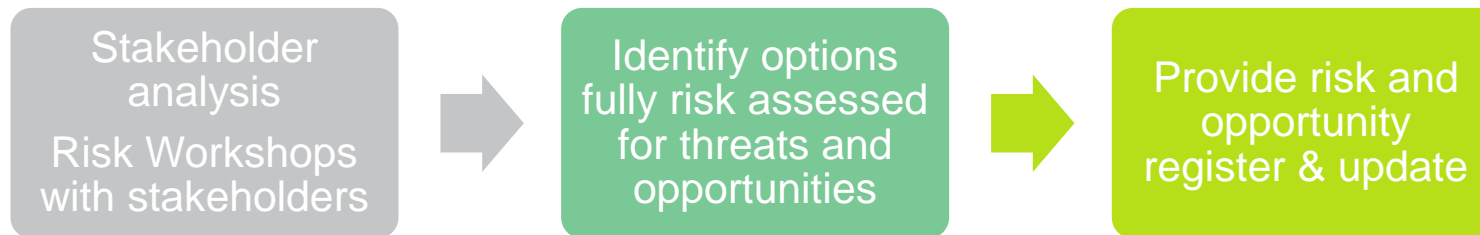
- Improve general communication
- Help to distinguish opportunity and threat management
- Facilitate greater risk-taking and thus increasing the benefits gained
- Enhance confidence on decision making

Example

Project Scope

- Study the possibility of expansion opportunities and optimisation of their current facilities at airport
- Review the current infrastructure and expansion options for one of the business aviation company

Approach



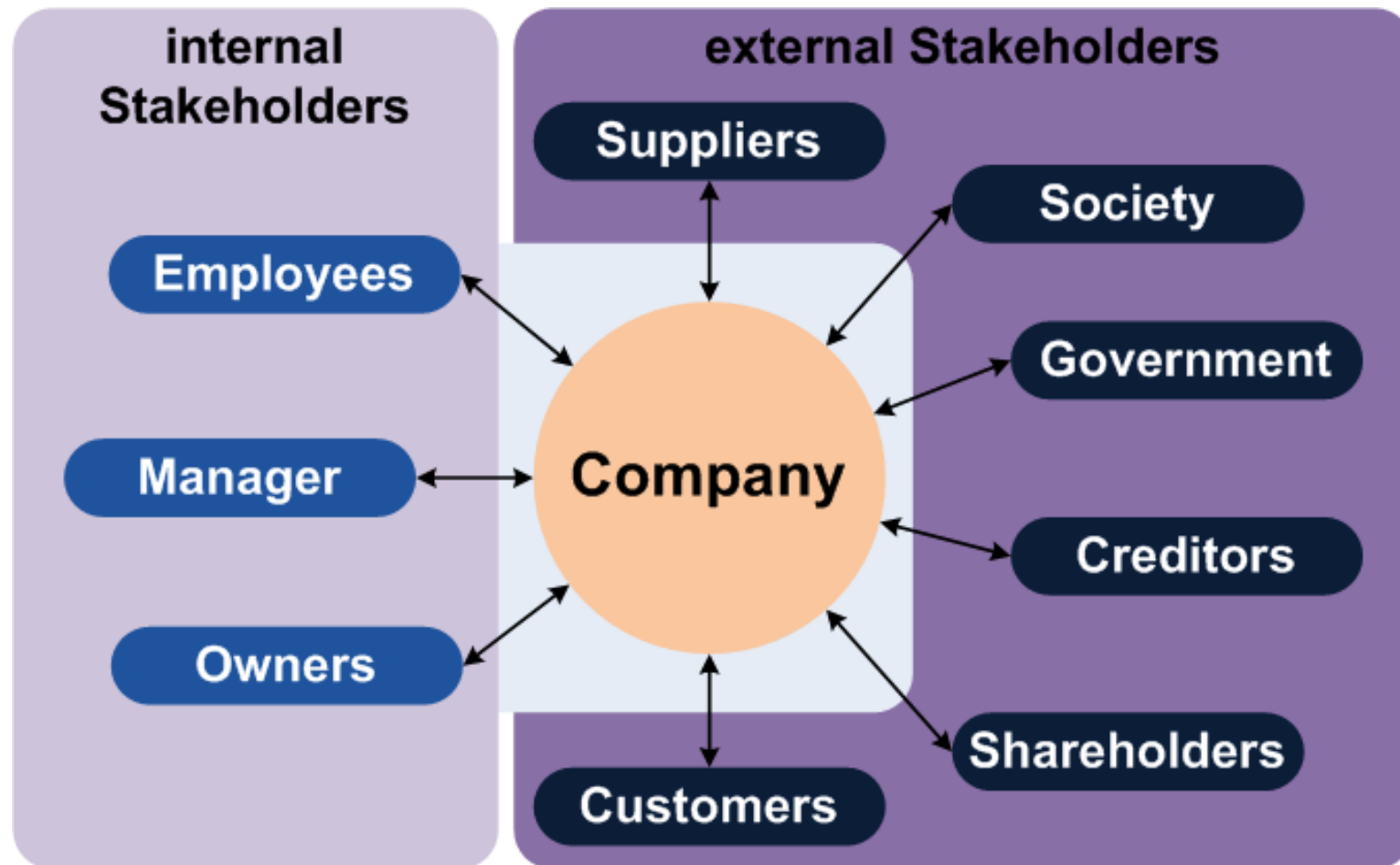
Benefits

- Identify key stakeholders and mapping
- Standardised approach agreed with the client and stakeholders
- Provided stakeholders with early warning of threats and opportunities to each option
- Support early planning and proactive management of project risk
- Enables stakeholders to better understand the current position and control assurance within their boundaries and the possible extension options

Stakeholder Mapping & Analysis

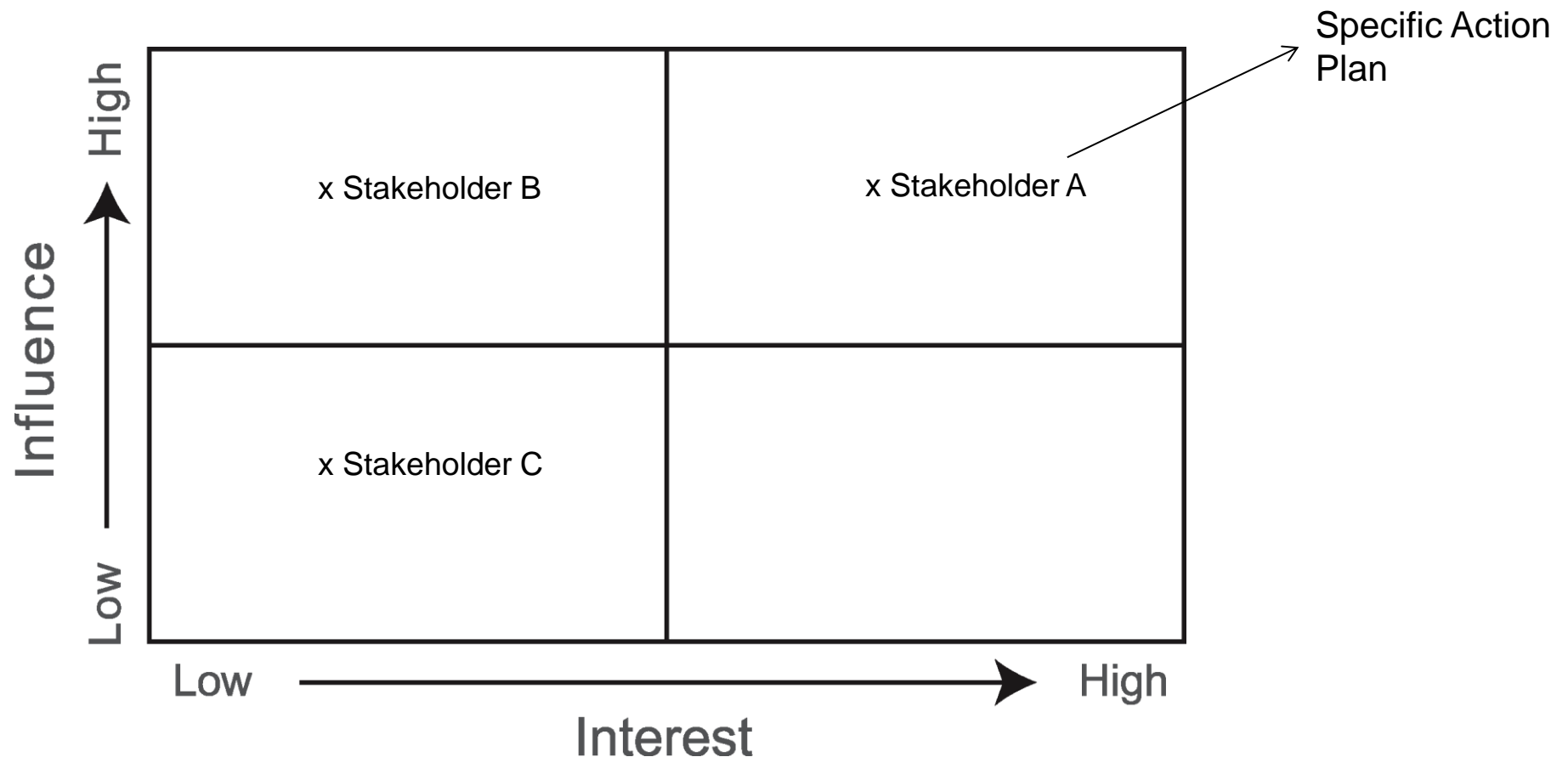
Stakeholder Identification

- Internal stakeholders - groups within a project or people who work directly within the project
- External stakeholders - groups outside a project or people who are not directly working within the project but are affected in some way from the decisions of the project



Stakeholder Mapping and Analysis

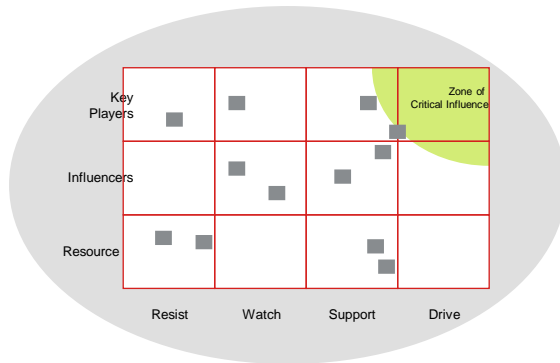
- Assess the level of interest and influence of the stakeholders
- Consider stakeholders' importance, impact, support and attitude when necessary
- Interest-Influence matrix: a common tool to visualise the result



Stakeholder Management Practice in EC Harris

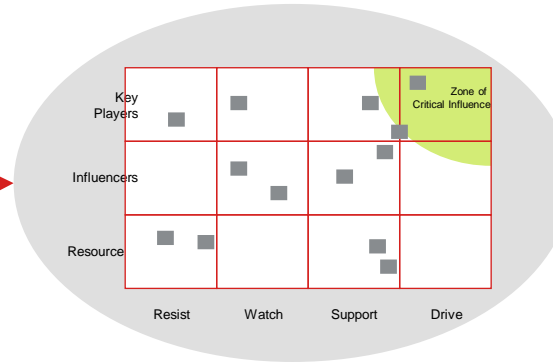
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Map Stakeholders



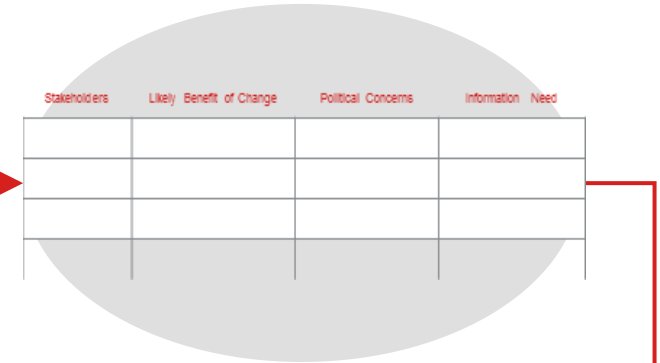
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Analyse Stakeholder Groups



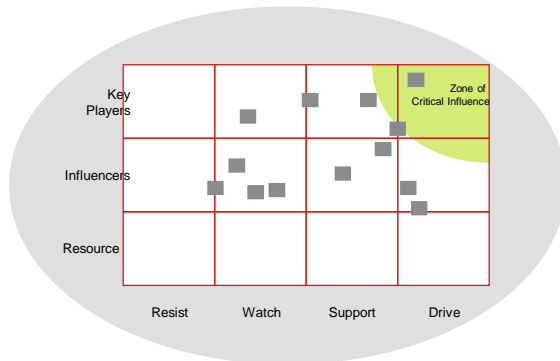
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Analyse Issues



6

Periodic Review



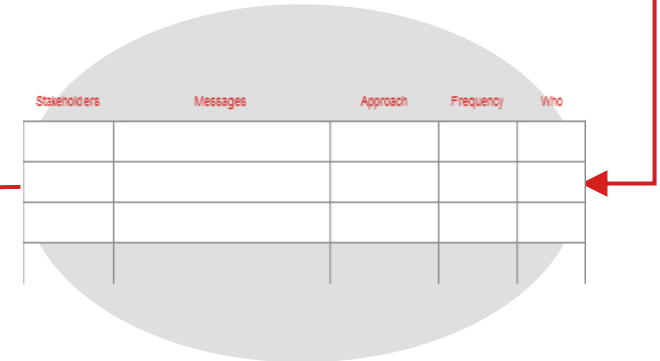
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Manage Communications Plan



4

Develop Communications/ Face Off Plan



Risk Management and Stakeholder Management: the Processes



Risk Management Process

Establish context and risk management planning	Identifying, recognising and describing risks Stakeholder engagement	Comprehend the nature of risk and determine the risk level	Determine whether the risk is acceptable or tolerable	Risk treatment according through action plans Prioritise risks and controls	Monitor and review the risks, actions taken and any changes associated Iterative process
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Stakeholder Management Process

Understand the stakeholder environment	Identify stakeholders and the relationships with them	Analyse stakeholder interests, influence and level of engagement	Prioritise stakeholders in engagement	Develop and implement stakeholder engagement strategies and plans	Follow stakeholder attributes and improve engagement strategies Iterative process
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Alignment of Stakeholder Management and Risk Management



Connections between goals and objectives



Define clear risk criteria among stakeholders



Interlinked process



Communication mechanism on risks



Continual assessment and review

Pitfalls in Risk Management Process



Misalignment with stakeholders



Fragmented Risk Management Activities



Lack of alignment among corporate policy, strategic planning and risk management



No monitoring and review after initial risk identification and assessment



Lacking of risk ownership



Risks = threats?

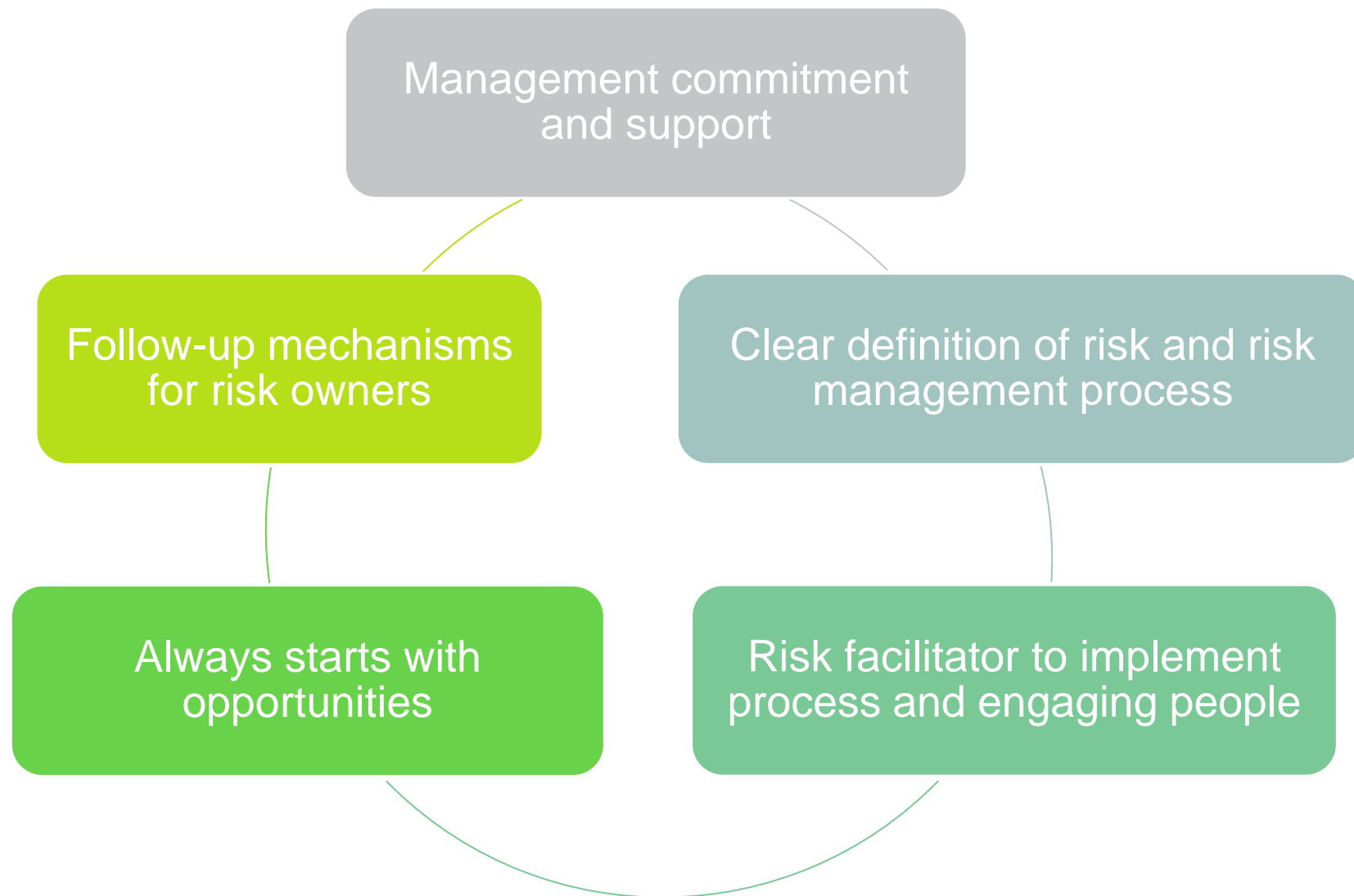


Issues = Risks?

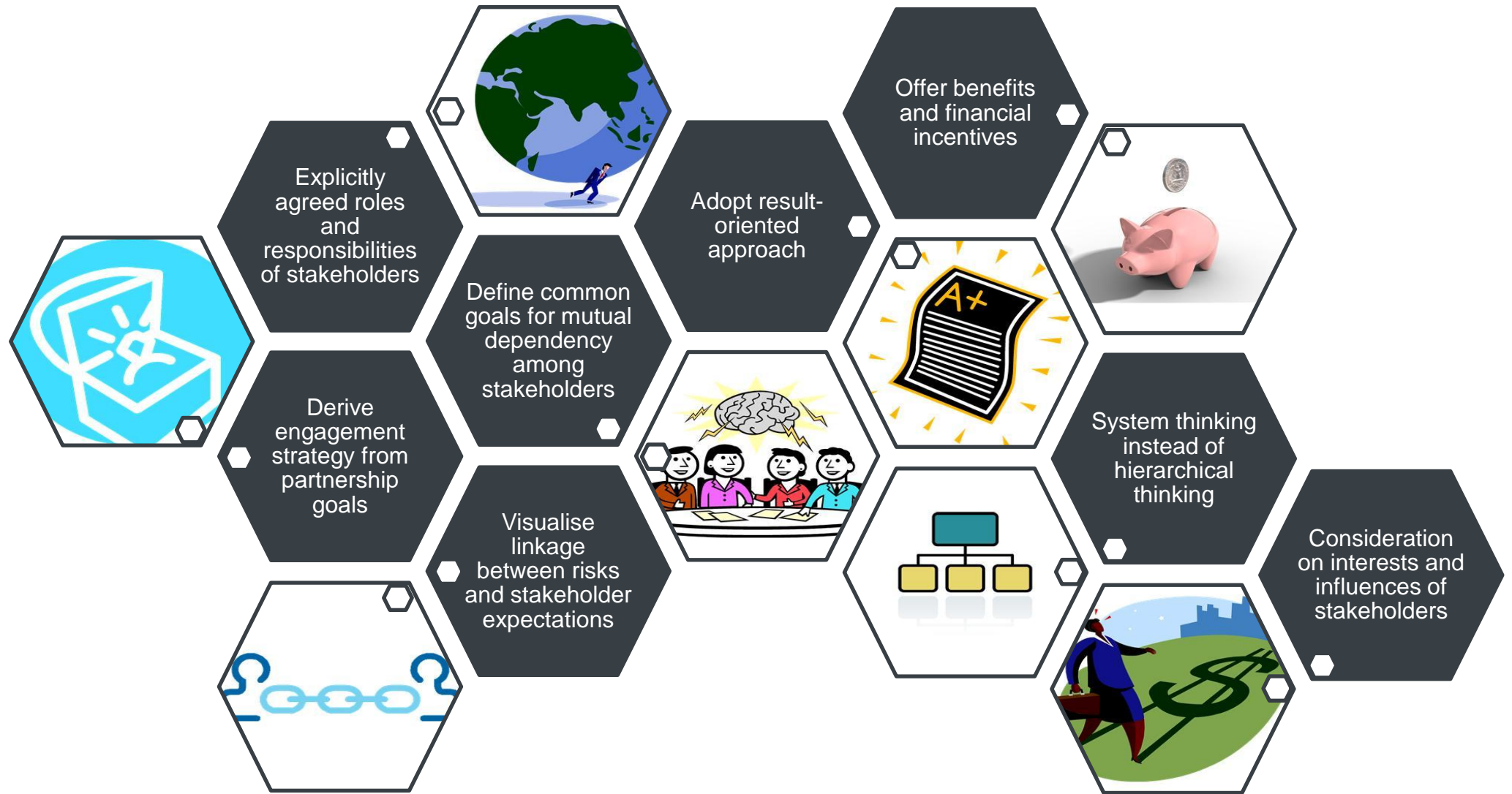


Risk Register = Risk Management?

Minimising the Pitfalls



Motivating Stakeholders in Risk Management: How?



Shifting from Hierarchical Thinking to System Thinking

Hierarchical thinking

- Prefer not to trust
- Rule and procedure-based
- Focus on control and authorities
- Avoid risk-taking and responsibility
- Reluctant to share information

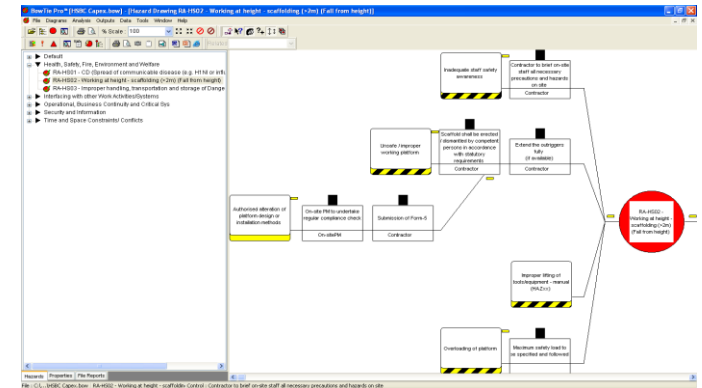
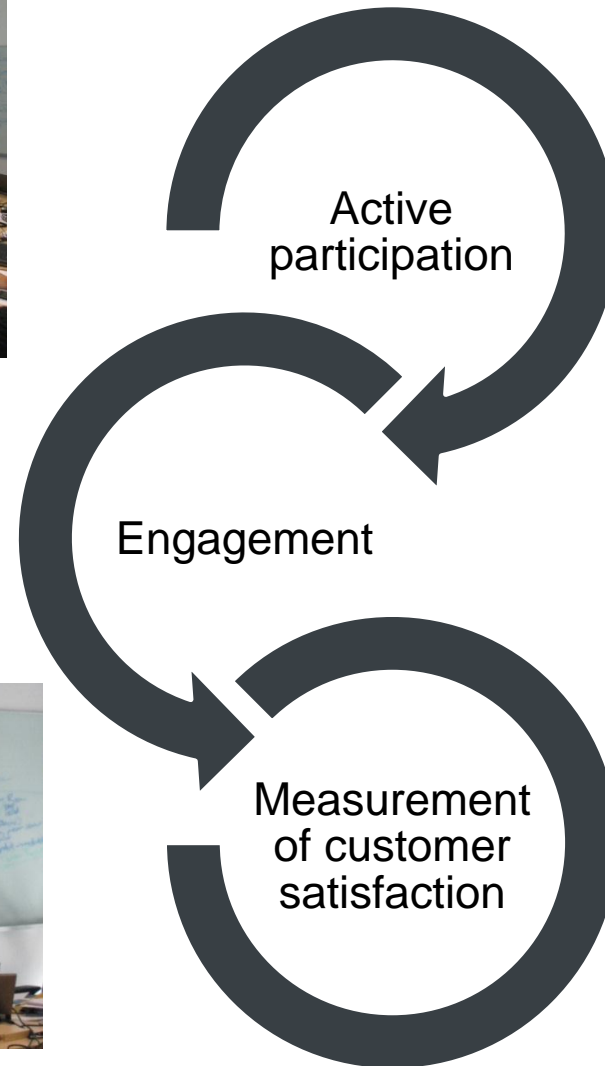
System thinking

- Focus on bigger picture and shared goals
- interdependence of people in group settings
- Result oriented
- View from multiple perspectives
- Tolerate ambiguity and uncertainty
- Innovative and creative
- Openness and information transparent

Typical Interests and Concerns on Risk Management



Stakeholder Management in Project Control



Issue Profile Matrix

People (P) | Environment (E) | Regulation (R)

	A	B	C	D	E
0 No Health Effect/Injury		1			
1 Slight Health Effect/Injury					
2 Minor Health Effect/Injury			1		
3 Major Health Effect/Injury				1	
4 Fatalities					1
5 Major Fatalities					

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Further Reading

- A Guide to the Project Management Body of Knowledge (PMBOK Guide), Project Management Institute, 2008
- Managing Success Programmes (MSP)
- ISO 31000:2009 Risk Management - Principles and Guidelines
- BS 31100:2008 Risk Management. Code of Practice
- BS6079 -3:2000 Project Management. Guide to the Management of Business related Project Risk
- BS IEC 62198:2001 Project Risk Management – Application Guideline
- Management of Risk [M_o_R]: Guidance for Practitioners (Office of Government Commerce) 2007
- Risk Analysis and Management for Projects [RAMP], Institution of Civil Engineers et al, 2005
- Dr Penny Pullan, Ms Ruth Murray-Webster (2012). A Short Guide to Facilitating Risk Management: Engaging People to Identify, Own and Manage Risk.
- Bryan Clifford (2006). Improvement through cooperation – integrating partnering, value management and risk management.
- Carmen Malena (2004). Strategic Partnership: Challenges and Best Practices in the Management and Governance of Multi-Stakeholder Partnerships Involving UN and Civil Society Actors
- Mariele Evers, Rapportserie Klimat och säkerhet (2012), Participation in Flood Risk Management - An introduction and recommendations for implementation

Thank You

Key Contacts



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*Enhanced Safety,
Health,
environment and
Quality
performance
translates into
improved
operational
efficiency, direct
'bottom-line'
savings &
sustainably driven
outcomes.*

Our approach aligns with international best practices