



The Conference Board of Canada

**Deloitte  
& Touche**

# **The Implementation Challenge and How to Meet It**

**Implementing Risk Management in Public Sector  
Organizations**

**Presentation to the Public Sector Executives Network**

**Ottawa September 2003**

# Content and Purpose

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- To describe the study
- To review the structure of the report
- To summarize the key findings of the study



# The Study

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- Joint venture of The Conference Board of Canada and Deloitte & Touche
- Sponsored and supported by a group of federal and provincial government organizations
- Specific focus on implementation of risk management – the how to rather than the why
- Research on a small number of organizations in various states of using and implementing risk management – non-scientific, anecdotal
- A search for practice experiences and learnings not ‘best practice’ – there is not one best practice in this area
- The study assumed the worth and benefits of integrating risk management into the management and control framework of the organization



# The Study

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- Organizations interviewed:
  - Canadian Food Inspection Agency
  - City of Winnipeg, Manitoba, Canada
  - Human Resources Development Canada
  - New Zealand Inland Revenue Department
  - Ontario Ministry of Environment
  - Ontario Ministry of Transportation
  - United Kingdom National Savings and Investment
  - United States Department of the Interior – Office of Air Services
  - Victoria Department of Sustainability and Environment (Australia)



# Key Themes that Emerged

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**We will come back to each one of these with more detail – this is just a summary.**

- A big splash may crash: risk management is a management tool, not a “holy grail.”
- Supported, organic development was more effective than a one-time project: learning and change are essential.
- Leadership is key but varied: it happens at many levels and in many ways.
- Risk management is a whole meal deal or no deal at all: risk identification alone is risky.
- Public sector risk management has unique transparencies that have to be taken into account in design and implementation.



# Key Themes that Emerged

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**We will come back to each one of these with more detail – this is just a summary.**

- Risk tolerance is a nuanced and dynamic process in public sector organizations: no one is served by a rush to quantification or excessive rigidities.
- Implementation is a long-term, continuous process: build it around training, support to operating units, visible leadership and a movement towards useful integration with the planning cycle.
- Integration of risk management into the culture and management processes is dynamic: it is constantly being reassessed and refined.



# One Big Message: Quit Looking for the Silver Bullet

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# A Big Splash May Crash

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- A single implementation project seldom ‘took’ for any organization.
- All have taken, or are taking, a number of years to fully implement and embed risk management.
- Large-scale announcements make people nervous because of the ‘R’ word.
- Concern that this tool be seen as the flavour of the month – yet another management initiative replacing existing ones.
- Seeking cultural change in advance of training, corporate commitment and implementation generally not seen as realistic – change will come.





# A Big Splash May Crash

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- Most of our study participants began their implementations by testing the concept under a pilot approach.
- Very few of our study participants implemented IT solutions to support their risk management efforts due to costs and the perception that IT would complicate the process of moving the organization along.
- Tacking to the culture, not rejecting it:
  - Formal risk management consolidates existing informal risk management practice, it does not reject it.
  - Using the existing culture (values, practices and relationships) to build the risk management model that works.



# A Big Splash May Crash

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- Risk management must be seen as being both top-down and bottom-up:
  - Senior leaders have to have the same training as front-line workers – and attend with them.
  - Customize training to the organization or it will be seen as alien and irrelevant.
  - Move rapidly from training to doing, using cross-sections of internal unit staff and internal stakeholders from other units to demonstrate early wins.
  - Learn by doing – move to workshop-type exercises that use common and simple tools for risk identification, prioritization, costing and communication.
  - Create and sustain in-house expertise to support business unit risk management. This does not preclude using contracted or purchased resources, but having the same person on a continuing basis providing support creates a momentum for as well as a continuum of development.



# Leadership is Vital but Multi-Layered

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- A significant element of both top-down direction and leadership and bottom-up engagement, training and input are involved in the process.
- Implementation leadership: In most cases, the Internal Audit group was the initial champion, and in many cases, still is. Its role has evolved in some cases to providing technical support, continuing training, evaluation and monitoring.



# Leadership is Vital but Multi-Layered

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- Leadership has to be sustained beyond the decision to implement some form of risk management:
  - It must set the overall direction to proceed
  - It must provide governance through Audit Committees or project committees
  - It must be engaged in the early stages to encourage risk dialogue, establish expectations around risk activities, and to reinforce quality of risk management practices. This also helps communicate risk tolerances at a strategic level.



# Leadership is Vital but Multi-Layered

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- Leadership must ensure that the outcome of risk management has a consequence in formal business planning and the way business is conducted through:
  - Regular discussion of risks among the organization's executives
  - Formal use of risk management in business planning
  - Prioritization of resources and attention around risk management outcomes
- “Closing the loop” was cited as critical to effectively embedding risk management into the organization's decision-making processes



# Leadership is Vital but Multi-Layered

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- There are many champions, each with an important role to play:
  - Leadership – as above,
  - Operational – key to have an operational manager willing to either pilot risk management or lead the process corporately,
  - Technical – a key continuing resource that provides the common training on a continuing basis, provides in-house expertise to working units and can assist parts of the organization as they integrate risk management processes,
  - Corporate - a central function within the organization to ensure that risks coming from business units vertically are integrated horizontally, that there is an element of monitoring of risks for quality and sensitivity (challenge function) and to guide the results into the management cycle.



# Risk Management is a Whole Meal Deal or No Deal at All

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- Risk management works best when all elements are introduced and used together: risk identification, risk assessment, risk mitigation, risk communication are integrated into how the organization plans and manages.
- Make risk management comprehensive – that is, include policy, processes and practices, tools, templates, governance – but do not overcomplicate the risk management framework.
- The greatest political risk is when risks are identified in a random way and no mitigation or communications strategies exist.
- Organizations have found methods of ensuring that politicians are alerted as risks are identified and strategies put in place, e.g. use of briefing notes, regular briefings of political leaders.



# Risk Management is a Whole Meal Deal or No Deal at All

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- Some organizations have begun to engage their stakeholders – either formally or informally – in the risk management cycle.
- Need for explicit governance of these processes the more formal they are.
- Legal advice may be needed throughout the training and implementation process to condition language and mitigation strategies, but not to stop the use of risk management.
- The danger of stove-piping within organizational units requires business unit processes to be balanced with integrating corporate processes so that strategically significant risks are brought to the corporate level.





# Supported Organic Development

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- There is a general consensus that risk is an art, and not a science – that means a greater reliance on engaging people in learning and doing than on adopting a ready-made solution.
- Organizations have modified their risk management approaches over time as they develop and learn.
- Staff and stakeholder engagement that cause the risk management procedures to be better adapted to the culture and needs of users also increase the ownership and credibility of the use of risk management.



# Supported Organic Development

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- Develop and refine the implementation process through experimentation, real organizational learning and the engagement of staff and stakeholders.
- There was flexibility in how risk management was rolled out to different business units, but the core information and messaging were consistent throughout – a key role of internal technical support in holding this kind of development together.



# Public Sector Transparencies

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- Assume that the information will be public.
- Engaging politicians and the public in introducing risk management practices and using the results of the process is key. It is also useful in establishing more confidence in public sector organizations.



# Public Sector Transparencies

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- In many instances, politicians were engaged in deciding to use risk management techniques more systematically within the organization.
- In others, risk management reporting formats were negotiated with political staff to increase their comfort level.
- Standardization of reporting reduces alarm or panic: put risk management reporting all on one page, use a common language and template and make it standard.



# Public Sector Transparencies

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- The risk management document has to be thought through in anticipation of it being public:
  - Legal may need to advise on language
  - Format must include not just risk identification, but validation and strategies for managing it: what it is and what are we going to do about it



# Public Sector Transparencies

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- Use existing external advisory or monitoring groups to make the material public in a consultative way: serves to reduce the public surprise and enhance mitigation strategies.
- The doing of it: ‘Fear of risk’ phenomenon in which public sector organizations were reluctant to move forward on risk management for fear of public or political exposure of unanticipated risk or the fear of political embarrassment was most readily overcome by actually moving forward.



# Dynamic Nature of Risk Tolerances

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- Most organizations determined that setting specific, quantifiable risk tolerances in all instances is not practical and, in fact, can be dangerous.
- Setting tolerances is a dynamic process that often involves top leaders giving ongoing guidance, not setting clearly delineated thresholds.
- Risk tolerances are often made clear in where and how resources are allocated; yet another key reason to formally integrate with the organization's planning process.



# Dynamic Nature of Risk Tolerances

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- In helping business units assess risks, simple scales involving peer judgments can be very useful. These often establish likelihood and scope of risk and not necessarily corporate priority.
- We saw that most often risk management practices provide a forum for where people talk about risk and come to a common “threshold” for a specific situation in light of the current political landscape.
- The direct involvement of top leaders in setting the context boundaries for decision-making effectively occurs through the integrating mechanisms discussed previously.
- In-house expertise to guide the processes reduces the risk of issues being significantly misassessed.





## See the Process as Long-Term and Continuous

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- Organizations we interviewed have found ways to customize their implementation, to make it more sensitive to existing culture and practice and to engage various levels of staff and stakeholders in the process.
- The role of training and education – both at the outset and on an on-going basis – is key.
- Using a common language, messages and tools within the organization - be it home-grown or purchased – and sticking to it over time is important.



## See the Process as Long-Term and Continuous

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- Implementers of risk management paid attention to and learned from any criticism they received.
- Getting buy-in is important through the introductory phases of training and experimentation. Once the methodologies are set, more formal monitoring begins and some level of business integration occurs, the practice of risk management is no longer an option.
- Let the corporate policy framework evolve over several business cycles.



## Integration: Are We There Yet?

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- Some organizations have integrated risk management into existing management processes at the corporate level while other organizations are in the planning stages of integration.
- In many organizations, integration began with requiring a formal risk assessment process as part of policy and planning documentation.



## Integration: Are We There Yet?

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- Anecdotally, deliberate, formal “integrated” risk management has made a difference – in the quality of decisions, service delivery, morale, and in the reduction in number and severity of crises.
- Regularly discussing risk status and plans at management tables, requiring regular reporting to the senior management committee and/or audit committee, or presenting formal updates quarterly to the Executive Committee where each member is assigned responsibility for a key risk have been effective mechanisms to clarify accountability and reinforce a sustained risk management practice.



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**We found this to be a key learning:**

**The organizations we talked to focused on bringing their people along through training and engagement, building a system of internal champions, benefiting from early wins, maximizing the leadership's desire for good management and integrating with existing business planning processes.**



## Next Steps

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- Draft of the Analytical Report will be distributed by Friday, October 3.
- The study results will be presented at the Intergovernmental Forum on Risk Management on October 7, in Ottawa.
- Our final draft of the Analytical Report will be provided to the Advisory Committee in early November
- A “Highlights Report” will be available in mid-November, with broader distribution to government executives in Canada.

