



# NZ Society for Risk Management – 2012 Conference

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## Role of standards in Risk Management : An update

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management



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Tell them what you  
are going to tell  
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- ▶ Role of management standards in general
- ▶ Standards/codes in the management of risk
- ▶ History of risk standards
- ▶ Forthcoming publications
- ▶ Current developments in standards-making



# Role of management standards

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## **History of standards**

- 7000 B.C. Egypt standard weight units (cylindrical stones).
- 1120 King Henry I defined the ell (the ancient yard), as the standard unit of length in his kingdom.

## **Management standards**

- 1798: Invention of “Management system”
  - Eli Whitney / Supply of muskets
    - Change management
    - Quality management
- ISO 9001
- ISO 14000
- ISO 31000



# Management Standards - Summary

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- ▶ “*Where would you be without your management standard?*”
  
- ▶ No common understanding of:
  - How things should be done
  - Consistency
  - Conformity
  - Discipline
  - Good practice
- ▶ No benchmark from which to develop
- ▶ No structured method to capture and consolidate available knowledge
- ▶ Lost opportunity for economic/societal gain
  - Heightened ‘risk’
  - Out of step with sector / international practice
  - Added cost due to ‘reinventing the wheel’
  - Greater agility and courage to succeed



# Role of standards within legislation

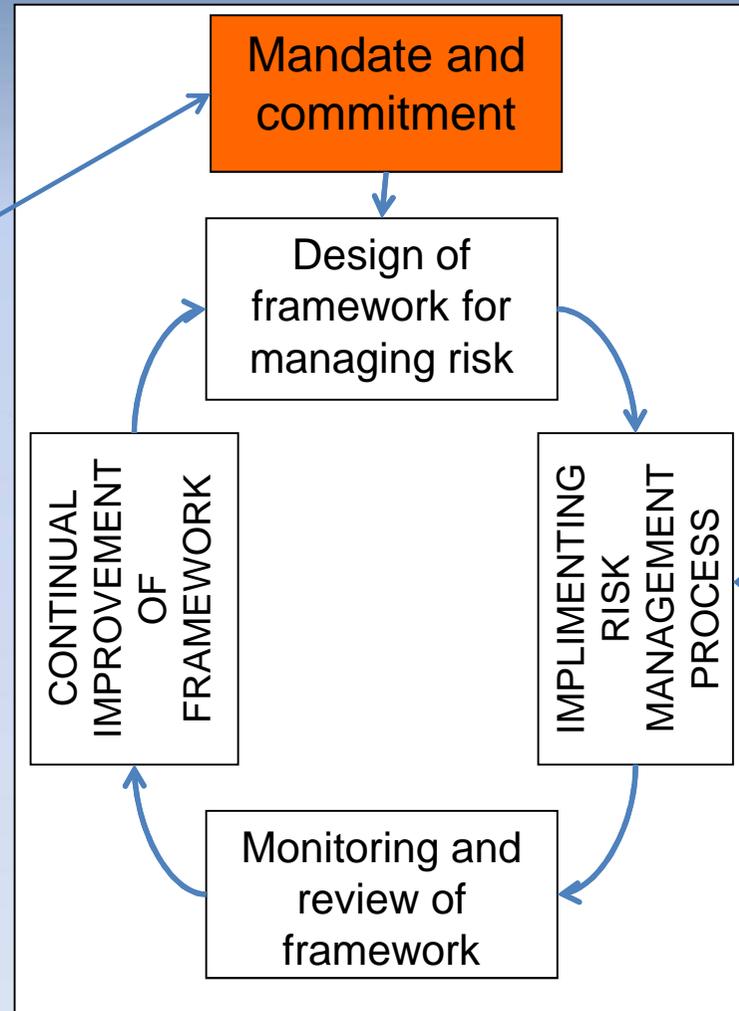
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1. Primary (Statutes)
2. Secondary (Regulations)
3. Tertiary
  1. Standards
  2. Codes
  3. Guidelines
  4. Documented practice

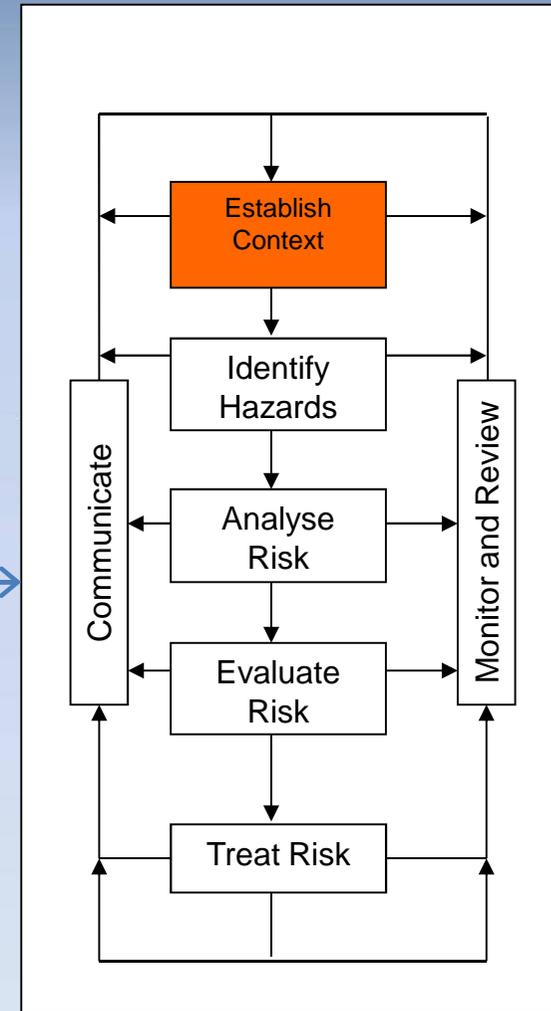
# Risk Management – ISO 31000

- a) Creates Value
- b) Integral part of organisational processes
- c) Part of decision making
- d) Explicitly addresses uncertainty
- e) Systematic, structured, timely
- f) Based upon best available information
- g) Tailored
- h) Takes human and cultural factors into account
- i) Transparent and inclusive
- j) Dynamic, iterative and responsive to change
- k) Facilitates continual improvement and enhancement of organisation

Principles



Framework



Process



# Role of standards in managing risk

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## Risk Management Techniques

1. Codes / Standards / Procedures
2. Good practice
3. Professional judgment
4. Risk analysis
5. Company values
6. Societal values

# Decision making under risk

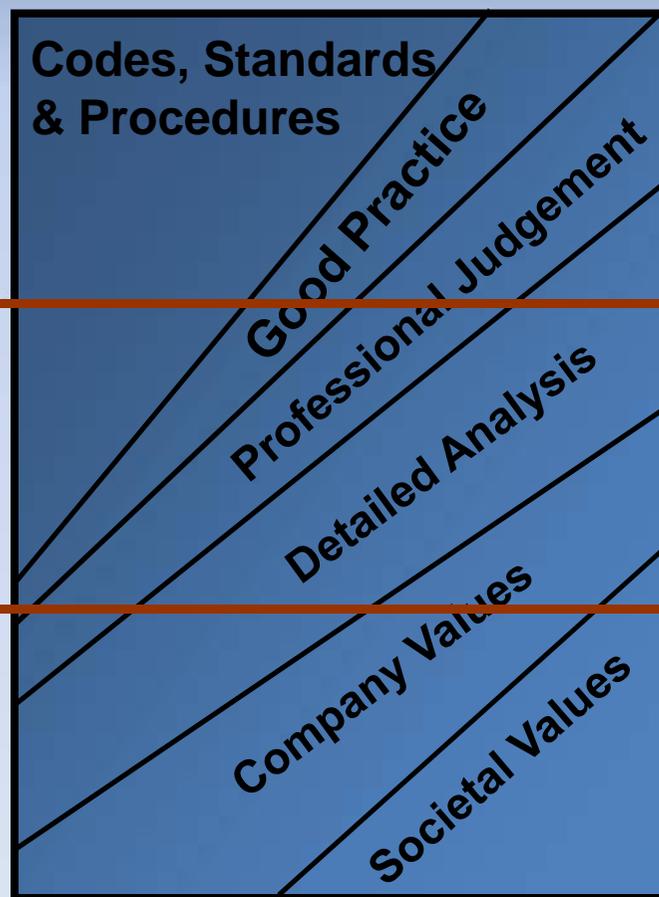
## Risk Management Decision Regimes

**Decision Complexity**

Simple

Difficult

Complex



**Decision Context Type**

Nothing new or unusual  
Well understood risks  
Established practice  
No major stakeholder implications

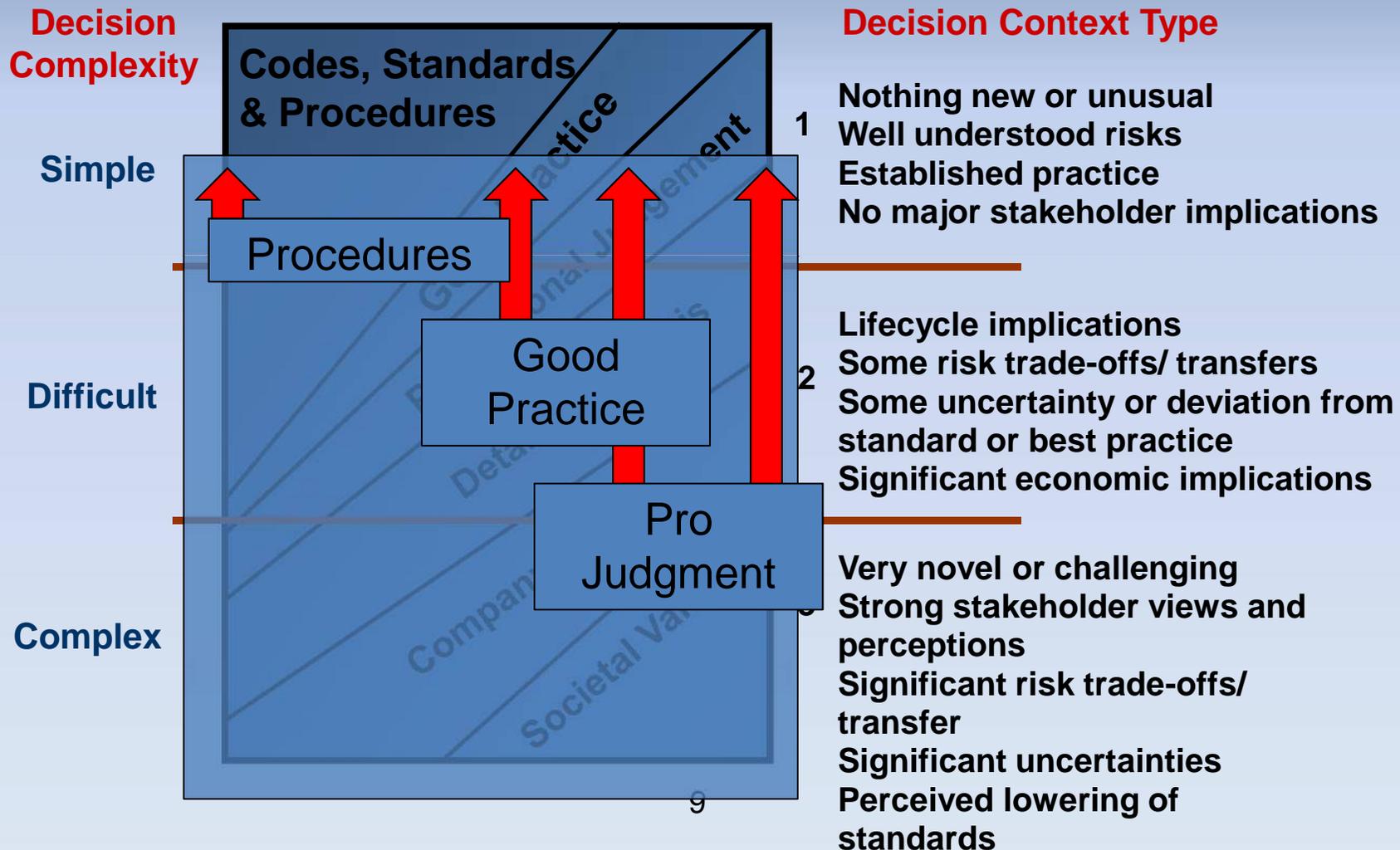
Lifecycle implications  
Some risk trade-offs/ transfers  
Some uncertainty or deviation from standard or best practice  
Significant economic implications

Very novel or challenging  
Strong stakeholder views and perceptions  
Significant risk trade-offs/ transfer  
Significant uncertainties  
Perceived lowering of standards

\* Source: NSOOA: 2000

# Decision making under risk

## Risk Management Decision Regimes





# Risk Standards - Summary

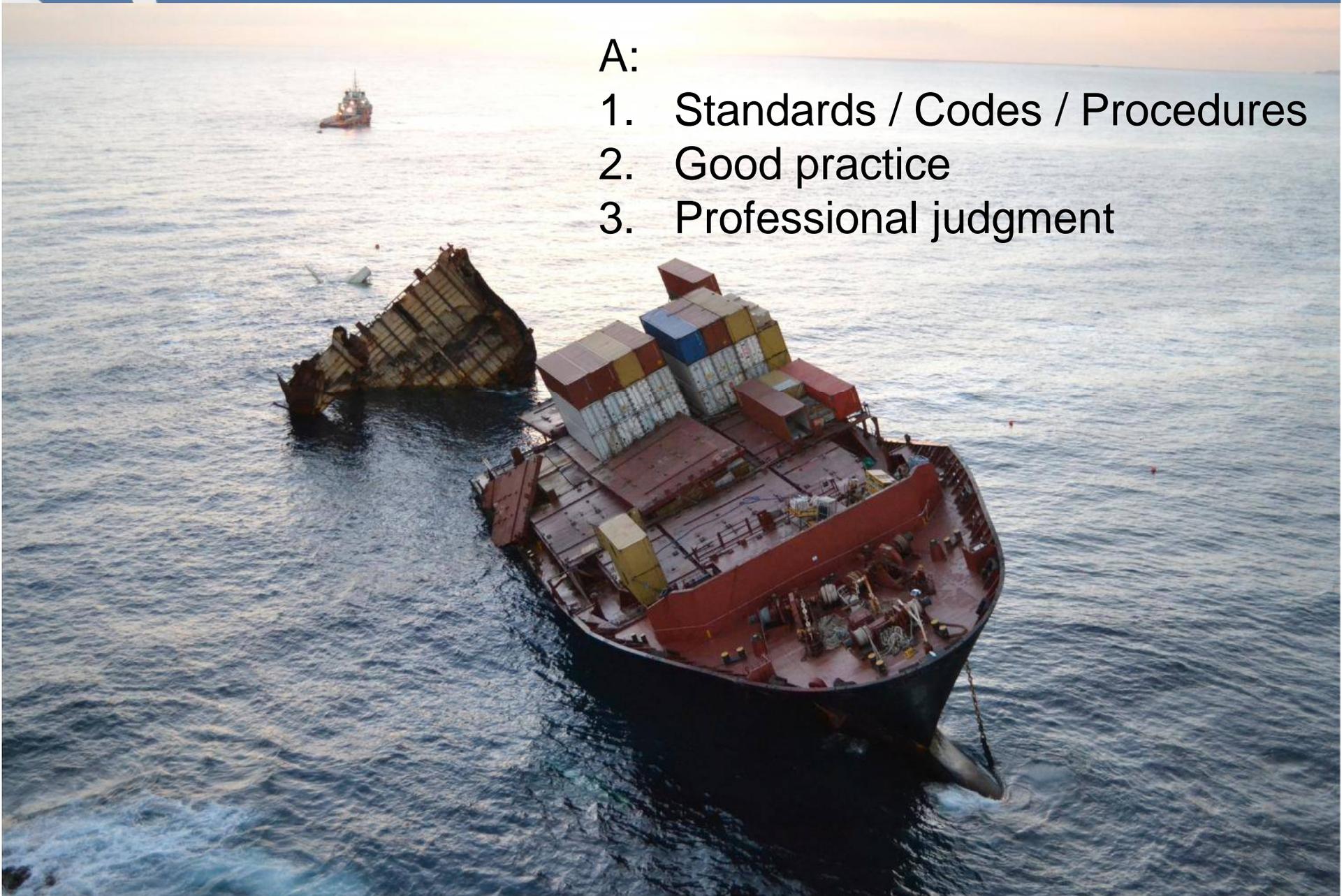
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- ▶ *“Where would you be without your risk standard?”*
- ▶ No common understanding of:
  - “Risk” and related concepts
  - Good practice
  - Peer review
- ▶ No benchmark from which to develop
- ▶ Lost opportunity for economic/societal gain
  - Heightened ‘risk’
  - Out of step with international practice
  - Added cost due to ‘reinventing the wheel’

Q: How should the master have managed the risk?

A:

1. Standards / Codes / Procedures
2. Good practice
3. Professional judgment





# History of leading Risk Standards

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- ▶ AS/NZS 4360:1995 (Int)
- ▶ AS/NZS 4360: 1999
- ▶ Canadian standard
- ▶ 4360 adoption by others
- ▶ AS/NZS 4360: 2004
- ▶ AS/NZS HB436: 2004
- ▶ ISO31000: 2009
- ▶ AS/NZS ISO 31000:2009
- ▶ ISO31010: 2009
- ▶ AS/NZS5050: 2010



# Current Developments

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- ▶ Standards matter!
- ▶ Interacting with / contributing to the standards-making process
- ▶ New standards and handbooks
- ▶ Review of the existing SNZ model



# Standards matter!

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- ▶ Formal adoptions / citings (tertiary law)
- ▶ Contractual adoptions
- ▶ Default expression of “good” (becomes benchmark that can used to challenge actions or behaviours)
- ▶ Not just NZ standards
  - Joint AS/NZS standards
  - ISO and IEC (and even ISO/IEC)
- ▶ **Lesson:** Pay attention to proposed and draft standards!
  - *But how?*



# Interacting with the standards-making process (NZ)

## ▶ Process:

1. Sponsor (\$\$\$)
2. Project definition
3. Drafting group (2-3 iterations)
4. Public consultation
5. Consideration of comments & suggestions
6. Final draft
7. Recommendation to Standards Council
8. Publication



# ISO

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- ▶ ISO is an organisation of NSOs (SNZ is the NZ NSO)
- ▶ Process:
  1. An NSO generates NWIP
  2. NSOs vote and also elect to be P, O or nothing
  3. Bare majority sufficient
  4. Referred to a TC (comprising all P NSO's)
  5. NSO forms a “mirror Committee”
  6. TC forms WG and NSO's nominate “experts” to WG
  7. Drafting > WD > CD (NSO consultation) > DIS (public consultation by NSO) > FDIS > Publish
  8. NSO can adopt – as national or joint AS/NZS



# How to input (NZ or Joint)

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- ▶ Options for each step of the development process:
  1. Sponsor (\$\$\$) \*\* (Sole or joint funder of project)
  2. Project group \*\* (Nomination & appointment)
  3. Project definition \*\* (via project group or submission)
  4. Drafting group (2-3 iterations) \*\* (ditto)
  5. Public consultation \*\* (submission on draft by anyone; no cost but prescribed on-line form)
  6. Consideration of comments & suggestions \*\* (via project group)
  7. Final draft
  8. Recommendation to Standards Council \*\* (submission of any concerns about adequacy of process or gross error)
  9. Publication



# How to participate (ISO)

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- ▶ NZ Mirror committee (informs delegates / experts and reviews CD)
- ▶ DIS public comment (input to Mirror committee)
- ▶ ISO adoption (either mirror committee or project)
  - Adopt
  - Amend
  - Reject

# The 31000 family

## AS/NZS ISO 31000

### Guidance and implementation

HB 436 \*\*

### Implementation Guide

ISO 31004 \*\*

(by ISO)

#### How to ....

##### (31000 Techniques)\*\*

- HB 327:2010  
Communication  
& Consultation
- HB 141:2010  
Risk Financing
- HB 89:2012 Risk  
Assessment
- HB ??? Making  
decisions about  
risk
- HB ???  
Governance

#### How to....

##### (Apply 31000 in particular sectors) \*\*

- HB 266:2010  
(Not for Profit)
- HB 246:2010  
(Sport and  
Recreation)

#### How to ....

##### (Manage particular types of risk per 31000)\*\*

- AS/NZS  
5050:2010  
(Disruption-  
related risk)
- HB 203:2012  
(Environment  
-related risk)
- HB 204  
(Safety-  
related risk)

Key: \*\* Conforms fully with 31000

Green shading: In preparation



# Review of Standards NZ Model

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- ▶ Sustainability
  - Funding model too fragile
- ▶ Legislation
  - Standards Act 1988 – time to refresh?
- ▶ Opportunity (personal view)
  - Improve criteria for standardisation (i.e. what to standardise)
  - Limited ‘public good’ funding for common-good standards;+ user pays for others
  - Possibly split the Standards Council – Entity 1: Decides what/whether to standardise and holder of public funding for common good standards ; Entity 2: production & sales
  - Greater standardisation/alignment across standards
  - Stronger emphasis on quality (both NZ and Joint) with less emphasis on representation, more on competency
  - Prohibit policy setting & make capture by “rent-seekers” less likely
  - Strong imperatives to avoid encouragement of “shop” mentality
  - Do not permit certification or other activities that detract from quality



# Closing

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Tell them what you  
are going to tell  
them

Tell them what you  
want to tell them

**Tell them what  
you told them**

- ▶ Role of management standards in general
- ▶ Utility of Standards/codes in the management of risk
- ▶ History of risk standards
- ▶ “Standards matter!”
- ▶ Why and how to participate in standards production
- ▶ Current developments
- ▶ Possible changes to SNZ model