



NZ Society for Risk Management – 2012 Conference

Role of standards in Risk Management : An update

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Contents

Tell them what you
are going to tell
them

Tell them what you
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Tell them what you
told them

- ▶ 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

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

- ▶ “*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



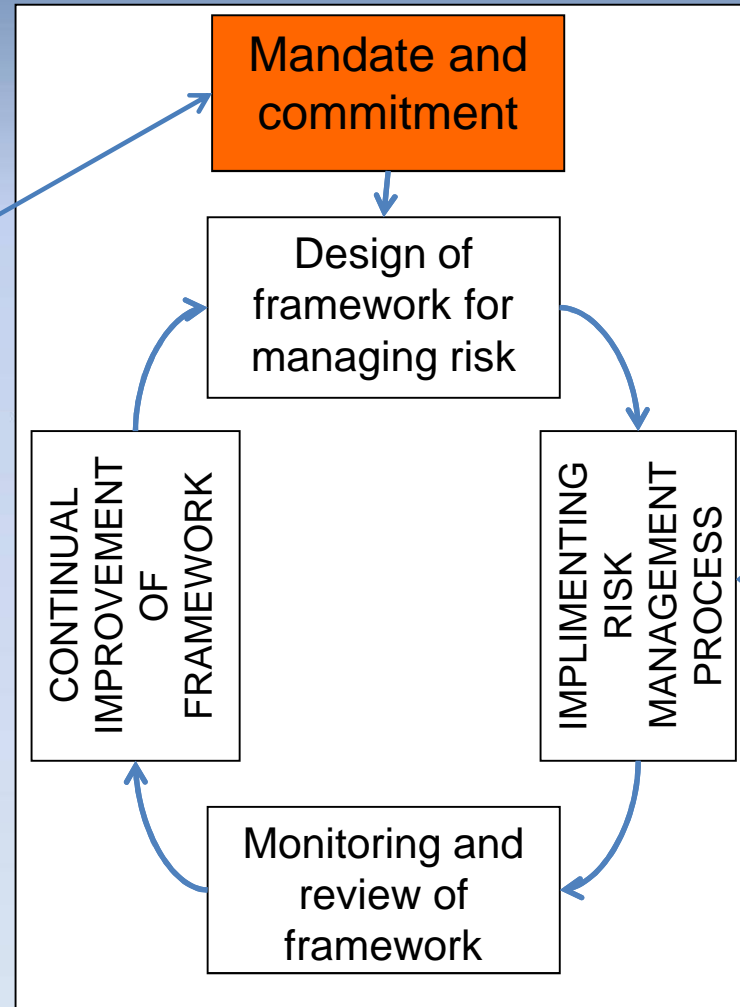
Role of standards within legislation

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

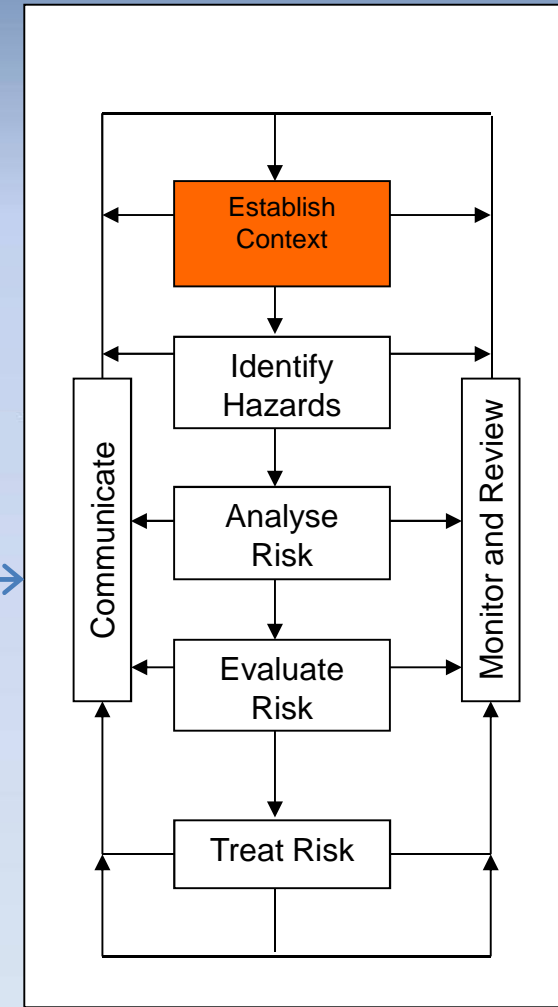
Risk Management – ISO 31000

- 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

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

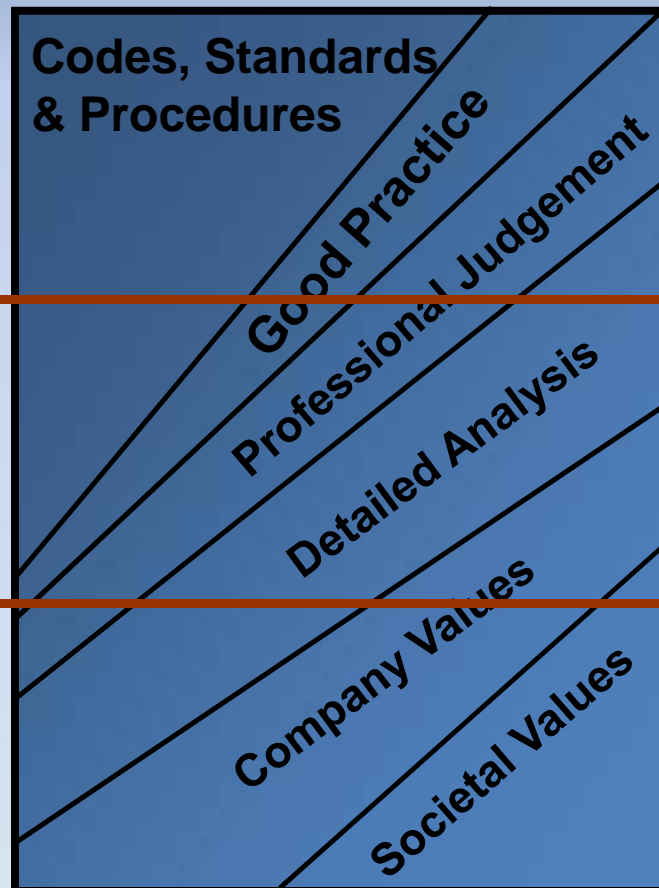
Risk Management Decision Regimes

Decision Complexity

Simple

Difficult

Complex



Decision Context Type

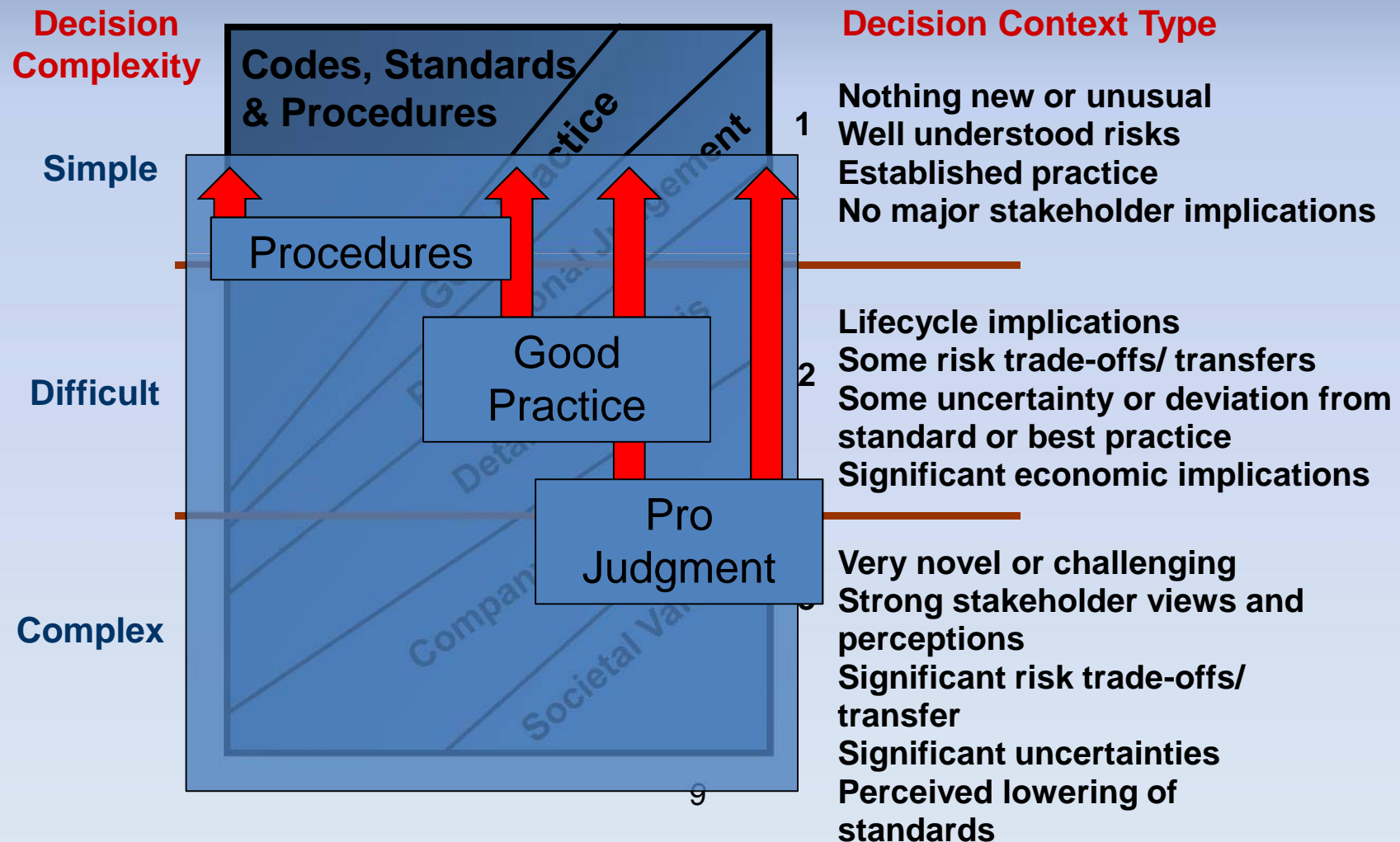
Nothing new or unusual
Well understood risks
Established practice
No major stakeholder implications

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

Decision making under risk

Risk Management Decision Regimes





Risk Standards - Summary

- ▶ “*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

- ▶ 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

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



Standards matter!

- ▶ 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

- ▶ 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)

- ▶ 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)

- ▶ 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

- ▶ 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

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