INTEGRATING RISK AND RESILIENCE FOR FUTURE SUCCESS

N I G E L T O M S – *Watercare Services Limited*

It is clear that organisational success responding to events in this increasingly complex world is only going to come from integrating risk management with resilience approaches.

I have long been a champion of unifying risk-and-resilience and have been applying it here at Watercare successfully for a number of years. The perfect opportunity arose to highlight its importance to large organisations when I was invited to become the technical author of the recently published PAS 60518:2020 titled Developing and implementing enterprise risk and resilience management (ERRM) in utilities standard.

As technical author responsible for the drafting and development of the standard and as a member of the Steering Committee, I worked to ensure that the standard provides a process for integrating risk and associated resilience for utilities, regardless of where they are on their risk and resilience journeys.

Published in July 2020 by the British Standards Institute (BSI) and sponsored by the Dubai Electricity and Water Authority (DEWA), this PAS is designed to lead organisations through the process of developing risk management capability and building their adaptive capacity to enhance resilience.

Both I and the international Steering Committee wanted to ensure that the standard reflects how risk and related resilience thinking has changed. Resilience was previously viewed as the ability to recover quickly from difficulties but is now seen as the ability to survive a crisis and thrive in a world of uncertainty.

Resilience is more challenging to understand than risk and should be viewed as an organisation's adaptive capacity to respond to unexpected (including very low likelihood/very high consequence) events. Lifeline utilities should look to build up and improve enterprise resilience to ensure they can continue to provide critical services, regardless of the myriad of potential challenges they could face.

There is a clear link between risk and requirements for increased resilience. Resilience is guided by a holistic understanding of the organisation's risks and comprises business continuity, incident management and the wider adaptive capacity to resist, respond and recover from extreme events.

An understanding of the most significant risks provides a guide on the key areas of focus where resilience requires enhancement. This extends to improving staff capabilities and use of extended supporting networks to develop a holistic set of responses.

This continuing journey includes:

- Building resistance, e.g. to protect critical assets
- Developing response and recovery capability starting with specific business continuity and an organisation wide incident management plan.

- Extending organisation-wide capability to provide the adaptive capacity to respond to all events
- Lastly, to reinforce using the learnings from events to improve for the future. In this regard the term 'build back better' is often used, however, wider thinking is required and should extend to 'building back differently'.

It is often difficult to contextualise these challenges, so a simple example is given below. Assume that during the period of the event that normal operations would also need to be maintained and all work would have to be completed in the same timeframe:

- The operating capacity of one critical asset must be slowed below its current minimum capacity and another with different technology must be enhanced to operate above its current maximum capacity. Both must continue to operate with no failures.
- There is a requirement for major changes to processes and systems to support new operations, some of these changes are new and not previously attempted. Again, this must be achieved without failures.
- Additional construction projects must be initiated and delivered, through procurement to completion of construction in timeframes that have never previously been attempted.
- Leveraging support from extended networks, with consultants, contractors and suppliers will all be required to provide enhanced and additional support above currently available levels and with an expectation that they will do their part to meet these challenges.
- With a limited number of critical staff available to provide the support and initiatives and actions, the organisation will need to flex to provide support from across the wider business and upskill to ensure this support can be maintained.

While these circumstances may seem unrealistic, responses to Covid-19, droughts and fires all result in a call for a wider range of response actions. Success in these circumstances can be greatly improved by advanced preparation and enhanced adaptive capacity.

The key focus areas for ERRM include:

- Maximising organisational capability
- Informing the understanding of risk management, including areas where more risk could be accepted
- Identifying areas where business continuity and incident management plans are required
- Aiding decisions on capital investment to increase organisational resistance
- Improving resilience, including response, recovery and supporting resource and network capabilities

This PAS uses an integrated enterprise risk and resilience (ERRM) model
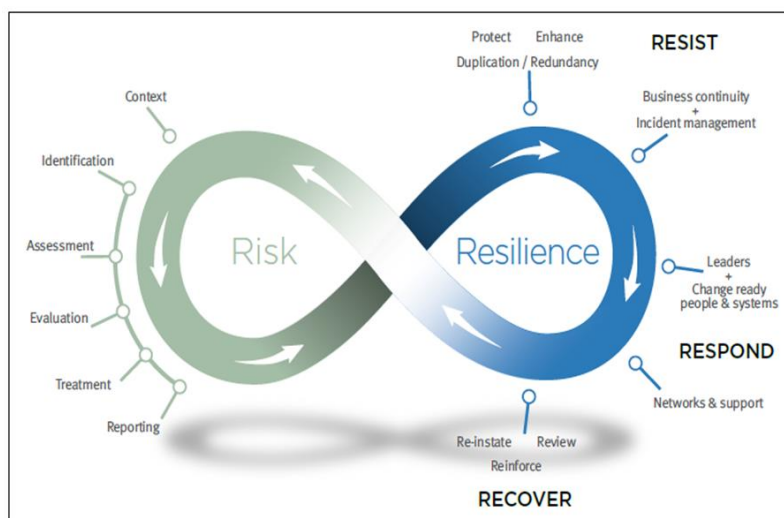
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An integrated approach to understanding risk and using this to guide resilience development will make an organisation increasingly capable and quick-to-recover when faced with challenges. A continuing programme of resilience work should ideally be undertaken to ensure that the organisation can adapt to changing environments. Effective ERRM enables just such an integrated approach.

Utilities and other large organisations should develop and implement ERRM policies and frameworks that are driven by the context of the organisation (strategic objectives, vision and mission) and directly address its risk profile and operating model. It should aid directing the risk and resilience function, prioritise enterprise risks and provide effective oversight of the processes that drive risk management, and mitigation actions.

Ideally, the ERRM policy and framework should be accessible to staff at all levels and reviewed regularly to account for any organisational changes. Training staff to ensure understanding, competence and capability, will enable organisation-wide commitment to ERRM, and successful performance when these challenges occur.

Effective risk and resilience practices take time to build and need to be driven by the leadership team within organisations. Understanding and prioritising risk is a key requirement to make the case for the investment in resilience. Understanding the financial value (that is the return on such an investment in monetary terms) is aided by an understanding of the vulnerabilities that increasing resilience seeks to address. The leadership team within organisations should also build resilience thinking into the company's culture, by demonstrating their own personal commitment to it. This includes being active in the development and exercise of plans and having processes to maintain unity-of-command when senior executives are absent.

Some good ways to drive improved resilience include:

- Run incident practices/exercises using varied staff teams. This increases understanding across the organisation and reduces reliance on a small cadre of well-experienced managers and senior staff.
- When there are incidents, form an incident team and require less experienced staff to act as deputies. This improves skills without hampering the overall incident response.
- Make incident response capability and experience a pre-requisite for staff looking for advancement
- Make sure all those involved in responding to and recovering from an incident take part in the lessons learned exercise after completion.
- Make sure staff training and reporting systems within the organisation include a record of this experience.
- Continue to look for new ways to train staff to improve their adaptive capacity.
- Include key members of the organisation's support network (contractors, consultants and suppliers) in training exercises. This is one of the best, but most under-utilised, ways of increasing understanding about each other's capabilities.

An example of an outline for a resilience framework is given in the diagram on the next page.
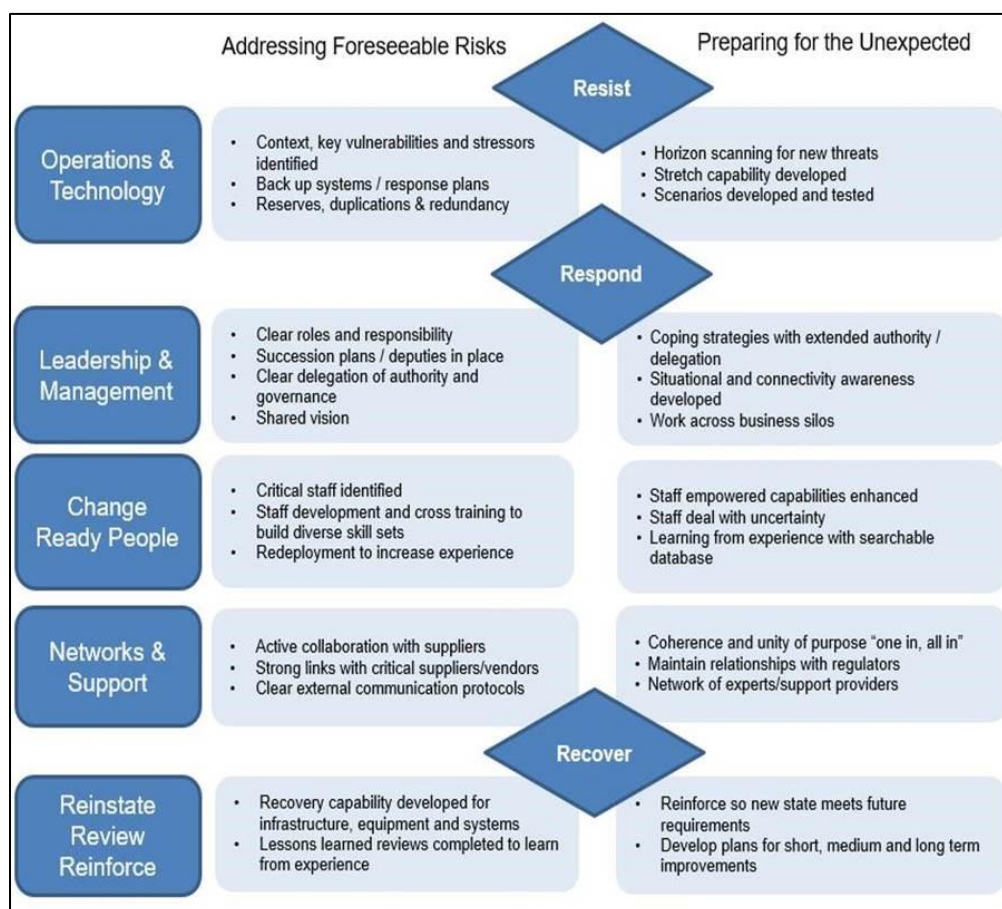
Risk and resilience is a continuing journey and PAS 60518:2020 includes information, templates and practical examples that together provide a path to ordered development, taking utilities on a structured journey to develop and improve their organisational resilience.

For more information on PAS 60518 please visit:
https://shop.bsigroup.com/ProductDetail?pid=000000000030390660

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Nigel Toms is Acting CFO of Watercare Services Limited, the sole provider of water and wastewater 1.7 million Aucklanders. Prior to his appointment as CFO, Nigel was Head of Risk and Resilience at Watercare.

Nigel is the technical author responsible for the drafting and development of PAS 60518:2020 Developing and implementing enterprise risk and resilience management (ERRM) in utilities standard, published by the British Standards Institute (BSI) in July 2020. He was also a member of the Steering Committee.

In his time at Watercare, he has developed and grown the risk function to become a key part of the executive. Nigel championed and developed Watercare's own enterprise risk and resilience framework and the PAS 60518:2020 draws upon his expertise and reflects some of the ERRM work done there. Nigel can be contacted at nigel.toms@water.co.nz