

A PRAGMATIC INTEGRATION OF RISK MANAGEMENT PROCESSES

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Abstract

Research shows that there has been a lack of innovation in the overall approach to risk management for decades. An alternative, pragmatic approach to implementing the risk management process is discussed. This approach is not intended to replace risk tools and techniques, also called risk assessments, but has been designed to provide an approach which enables the integration of information gathered from multiple processes and tools enabling risk management to add value to an organisation.

1 Introduction

The use, assessment and analysis of risk is a day-to-day phenomenon used by individuals, Small to Medium Enterprises (SME) through to large national, multinational or global organisations. Although in many cases risks may be 'treated' it is not implicit that complex issues associated with them have been well understood.

Risk Management endeavours to be an approach to understanding and removing the concerns associated with future situations. As a discipline Risk Management has existed since the 1960 emerging from an historic need and desire to insure against loss. From the 1980s clear reference can be made to a process for risk management which has remained relatively unchanged [3][11].

Tools and techniques are available to assist in the modelling of complex systems. Modelling allows simplification of the system to allow the complexity to be understood and to aid the recognition of complex issues. These tools vary from high level business strategy identification to Failure Modes and Effects Analysis (FMEA) for examining the detail associated with failures of components in a system. These tools and techniques are often referred to as risk assessments.

The focus of the risk management process is to gather together risk assessments into an orderly approach which can be followed and repeated by a wide variety of users, from risk managers to shop floor workers, and in a multitude of environments, from safety critical software to environmental change. It is not the intention of this work to replace risk assessments such as FMEA.

The draft ISO 31000 [11] standard provides an overarching framework within which the risk management process can be applied – this framework describes another level of abstraction above the risk management process and will enable businesses to better understand how to implement risk management across an organisation. It does not however provide any improvements for the risk management process.

The 'Risk Management Process' is a well known and widely referenced concept. The process, shown in many standards including AS/NZS 4360 [14] and the draft ISO 31000, has existed in the same form for over twenty years.

The process is essentially a five step waterfall, an approach described as risky and inviting failure [13], which is encased with multiple interactions to monitoring and communications.

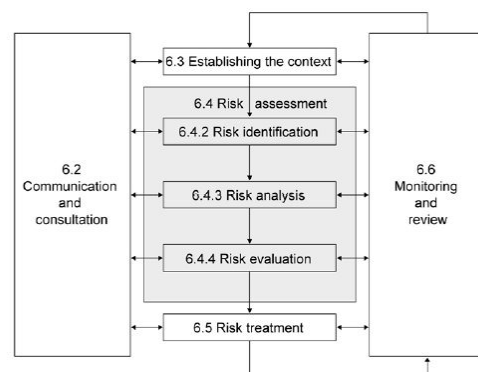


Figure 1 - Risk management process [11]

The process does not provide any visualisation as to when decisions can or should be made neither does it provide the opportunity to revisit the preceding steps. ISO 31000 draft specifically states that 'Comprehensive identification is critical, as a risk that is not identified at this stage will not be included in further analysis.'

In summary the five step process shown running down the middle of Figure 1 is useful when debating a general approach to risk management and uses similar steps to those described by Boehm [3] in 1989. However it does not provide a pragmatic approach to the implementation of the steps described.