

SPO Management

Guide to *integrated* RISK MANAGEMENT PLANNING

Part 1: An Overview

Based on SPO/RMM

- the SPO *integrated* Risk Management Method



THE SPO MANAGEMENT GUIDE TO *INTEGRATED* RISK MANAGEMENT PLANNING

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TERMINOLOGY USED IN THIS GUIDE

The SPO Management Guide to *integrated* RISK MANAGEMENT PLANNING is based on a Market Model conceived by the authors and originally derived from their experience in working at executive and clinical levels in the Healthcare market for over 30 years.

It became apparent to the authors that the Market Model was applicable in all markets whether Healthcare, Financial Services, Manufacturing etc. because it is based on the principle of delivering some form of benefit to an individual or organisation by way of a product or service.

The fundamental concept used in the Market Model is that the Market exists because someone in the community, an individual or organisation, has a need and thus looks to the wider community to fulfil that need. The Market Model refers to these individuals or organisations as the Players in the market who all hold a stake (the stakeholders) in the eventual fulfilment of the need being sort.

It will help the reader of this guide to understand the terminology used to identify the Players and the different terms used that are interchangeable in their meaning.

Terms used to identify the individual seeking to fulfil a need:

- Recipient
- Recipient of Benefit
- Customer
- Patient

Terms user to identify the individual engaged by the Recipient to fulfil the need:

- Provider
- Recipients Benefit Maximiser
- Doctor
- Clinician
- Salesperson

Terms used to identify the organisational entities involved in the fulfilment of the need:

- Provider
- Provider of Benefit
- Organisation
- Enterprise

Terms used to identify organisations that work on behalf of the Recipient:

- Purchasers (such as Health Insurers, Brokers, Financial Advisers etc.)
- Recipients Cost Minimiser

The reader will note that at the individual level, Staff of the organisation as “Provider of Benefit” who deliver the need will be referred to as Benefit Enabler, and at the organisational

level, Suppliers to the “Provider of Benefit” are also referred to as Benefit Enabler because it is the services delivered by Staff and Suppliers, by way of employment or supply contracts that enabled the “Provider of Benefit” to deliver the products and service they offer.

Other Players represented in the Market Model are Regulators (Government Agencies for example) and Representatives (Unions and industry associations for example).

The reader will find a detailed explanation of the Players in part 1.3 of this document and in section 2.4 of the SPOiRMM Framework guide.

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Michael's work includes a management model. This model underpins our service offerings.

Michael died after a short battle with cancer in 2014.



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Marie's clinical background is nursing and she has been a Director of Nursing and CEO in both public and private hospitals and national Hospital Provider Relations Manager of a major health insurer.

Marie was an inaugural member and served a 5-year appointment to the joint Federal-State ministerially appointed national healthcare peak body, the National Safety and Quality Council.

INTRODUCTION

SPO Management recognized the need for a framework to develop comprehensive and integrated risk management plans that assist organisations to more effectively and efficiently identify and manage multiple, concurrent risks.

The SPO *integrated* Risk Management Method, **SPOiRMM**, has been developed to meet this need. The strength of **SPOiRMM** lies in its integrity and completeness.

Risk management can be addressed from a bottom-up approach where quantitative or qualitative data reveals a problem or potential problem. A concerning statistical trend may require a quantitative problem analysis or sentinel event may require a root cause analysis exercise.

In addition, risk management can take a top-down approach where an organisation's risks are methodically identified and addressed. This Guide is designed to support the latter, top-down approach, where risks are identified firstly for the organisation as a whole, and then, through second and further iterations, for each of its departments or functions.

SPO Management has developed a software application to work in conjunction with **SPOiRMM**. The software application, **AiRMS (An integrated Risk Management System)** provides the platform to capture all of the data that results from an organisation using the methodology as an integral part of their risk management strategy.

The Aim of **SPOiRMM**

The aim of **SPOiRMM** is to assist an organisation to pursue an approach to risk management planning that is integrated and fully implemented throughout the entire organisation.

The Risk Management Plan developed using **SPOiRMM** is intended to be dynamic and reviewed regularly to ensure it reflects the current risk profile of the organisation.

SPOiRMM contains licensed material and detailed explanations of how to use them to develop a fully integrated risk management plan.

Together they cover the risk management steps of:

- project management
- risk identification
- risk analysis
- risk ranking
- risk evaluation and assignment of accountability
- communication to all key stakeholders

Strategies for risk treatment are not included.

The recommended planning steps are based on SPO's Business Method, the SPO/RMM framework, and principles of Knowledge Management, Risk Management, Quality Management and Resource Management.

SPO/RMM contains information to support the Risk Plan Coordinator and participants in the process of implementing a wholly integrated approach to risk management planning.

In the first instance the risk plan should be done for the organisation as a whole. Subsequently, the same process should be undertaken by each department within the organisation.

Using SPO/RMM

SPO Management has used relevant standards and references during the development SPO/RMM where appropriate.

SPO Management recommends that organisations use SPO/RMM in conjunction with appropriate regulations, references and guidelines to ensure that its documentation of risk and associated management strategies are consistent with the requirements of regulatory bodies, standards and guidelines.

For the most effective application of SPO/RMM, users should first be introduced to the SPO/RMM framework and then to the specific use of SPO/RMM and the A/RMS application in developing an organisation's risk management plan.

What is SPO/RMM

SPO/RMM is a business and practice improvement method

SPO/RMM is used to integrate management efforts to achieve best outcomes for all stakeholders. It is based on a market model that creates a common understanding between people of differing personal and professional backgrounds.

SPO/RMM includes a set of six diagrams called Tools, each of which is used to focus on improvement in a different aspect of the enterprise in question. Each Tool is provided with instructions and usage scenarios to ensure understanding and correct usage. Together the Tools offer a toolkit or framework for enterprise-wide improvement.

The Tools are divided into three categories as follows:

- *Influencing* – SPO/RMM Tools that assist an organisation to identify external risk factors and influence these where relevant and appropriate: Jurisdiction Tool and Market Tool.
- *Managing* – SPO/RMM Tools that assist an organisation to identify and actively manage risks in external and internal stakeholder relationships: Enterprise Tool and Organisation Tool.
- *Doing* – SPO/RMM Tools that assist the improvement of organisational processes to achieve effectiveness and efficiency: Agreements Tool and Resources Tool.

SPO/RMM supports and integrates other improvement methods and activities.

How to order SPOiRMM and AiRMS

SPOiRMM training is available through SPO Management. Expressions of interest and bookings may be made via:

Email: marie.colwell@spomanagement.com

Phone: +61 (0)431 306 051

The AiRMS application can be ordered by contacting Tony Wood at SPO Management:

Email: tony.wood@spomanagement.com

Phone: +61 (0)409 941 533

PART 1 - AN OVERVIEW

This section describes the key project roles, key SPOiRMM and Risk Management Planning concepts used in SPOiRMM.

It is intended as an overview of information provided in greater detail in other sections of SPOiRMM.

1.1 Risk and Risk Management

The ISO 31000:2009 Risk management principles and Guidelines defines risk as:

“the effect of uncertainty on objectives”.

ISO has also stated that one of the key changes in the 2015 revision of ISO 9001 is to establish a systematic approach to risk, rather than treating it as a single component of a quality management system.”

Risk Management needs to be integrated into all organisational processes to ensure that organisational performance is optimised and all stakeholders are satisfied.

SPOiRMM is a tool that supports organisations to create Risk Management plans that are fully integrated with organisational processes, are comprehensive in that all risks are identified and all stakeholders are considered

It is widely recognized within industry that risk management must be integrated across the entire organisation and that it must be incorporated in everyday practice and business planning in order to effectively mitigate both internal and external risks.

Many organisations have conducted risk assessment and or risk management projects in discreet sections of the organisation. This approach lacks the cohesion gained by comprehensive, organisation-wide thinking and is prone to errors of omission if risks or risk areas are not well identified.

Effective risk management assists an organisation’s board to fully understand the factors that are critical for the achievement of objectives and the viability of that particular organisation. It assists with capital investment decisions, for instance. A documented and fully implemented Risk Management Plan also greatly improves the organisation’s ability to demonstrate compliance with certification/accreditation standards.

The outcomes of effective and efficient risk management are improved performance in the setting of enhanced business viability through more effective governance, more informed decision-making, efficiency gains and process improvements.

1.2 Key SPOiRMM Concepts

SPOiRMM is a Market Model based on the provision of benefit

SPOiRMM - provides a complete and integrated structure that covers all the critical components of organisational performance.

SPOiRMM is used in risk management planning to identify all risks to all stakeholders and to characterize those risks in a way that assists in risk assessment and treatment.

SPOiRMM uses three main concepts:

The Players - External stakeholders

Internal Functions - Internal stakeholders

SPOiRMM Tools - Risk contexts

Each stakeholder is given a role based on their relationship to the Recipient of Benefit

The following introduction is supported by Part 2 - The SPOiRMM Framework, which contains a more detailed explanation, however, this detailed knowledge is not required to use the SPOiRMM tools for risk management planning processes.

1.3 The Players

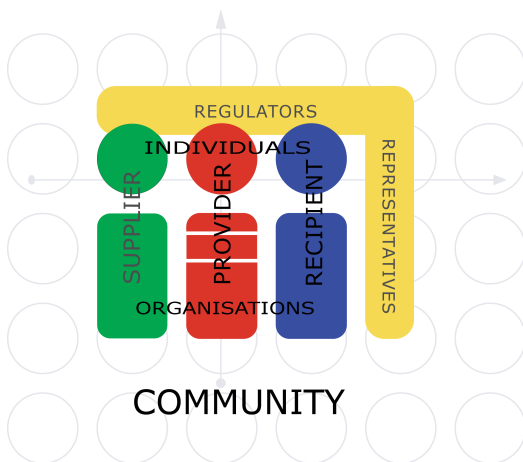
For an organisation to sufficiently understand the causes and effects of an issue or risk, all the stakeholders to that issue must be identified and characterized and their relationships to the organisation and each other described.

In SPOiRMM people and organisations with a direct interest in the market are referred to as the Players. The Players are first classified according to their “role” as Recipient, Provider or Supplier.

Players’ roles define their relationships and hence create the context for their risks.

Secondly, the Players are classified by their “nature”, as people or organisations. Risks differ for people and organisations, as do the responses required to manage those risks.

The way SPOiRMM represents the players in the market is as follows:



Recipient

- **Recipient of Benefit**, who may be called patients, clients or customers.
- **Recipients Cost Minimiser** - agents for the Recipient of Benefit such as Brokers or Purchasers, such as government agencies and insurance companies.

Provider

- **Provider of Benefit** - organisations at the centre of a particular market
- **Recipients Benefit Maximisers** - contracted directly to the Recipient of Benefit.

Supplier

- **Staff** of Provider of Benefit organisations, a Benefit Enabler.
- **Suppliers** of goods and services to Provider of Benefit organisations, a Benefit Enabler.

Regulators, such as government departments and agencies.

Representatives, such as unions, consumer groups and business associations.

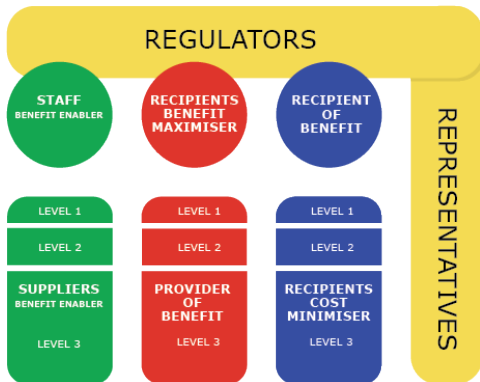
The **Community** in which the market operates is represented by circles as it is from the community within the markets jurisdiction that all players are derived.

When an organisation conducts a risk management planning exercise, the list of the Players provides a structure to define its external stakeholders and their roles.

Anything that does happen, or does not, to any of these Players has the potential to be a risk. These external risks may be similar to the Opportunities and Threats of a SWOT analysis. The Players are also the people and organisations that an organisation will need to influence, contract or communicate with to treat risks.

1.4 Internal Functions of Players

SPOiRMM uses the same logical internal structure for the functions of both people and organisations.



SPOiRMM divides the internal functions of each Player into three classes called Levels 1, 2 and 3.

Level 1 functions relate to decision-making, which may also be called governance or management depending on its context, and is required by all enterprises to ensure viability in changing circumstances.

Level 2 functions relate to the exchanges with other Players that each requires to sustain itself. Financial exchanges and those of staff services and supplier products are key exchanges.

Level 3 functions relate to satisfying a Player's needs as recipient, or fulfilling its mission as a provider or

supplier.

For recipients these functional classes are used to examine their needs in a structured manner. Decision-making about need and its costs are dealt with at Levels 1 and 2 respectively, whilst Level 3 is used to analyse needs

For organisations these functional classes, represented by the lines drawn at each of the three levels in the diagram below, are used to describe the structure within an organisation, such as departments and units, and also to review the functions within a particular department or unit.



analysis.

Internal departments and functions are where the impacts of risk are felt. The classification system assists in thinking through how a risk could impact.

Internal departments are also the structural units an organisation uses to treat risks. The classification of internal functions can therefore also help to understand how to mitigate or treat risks.

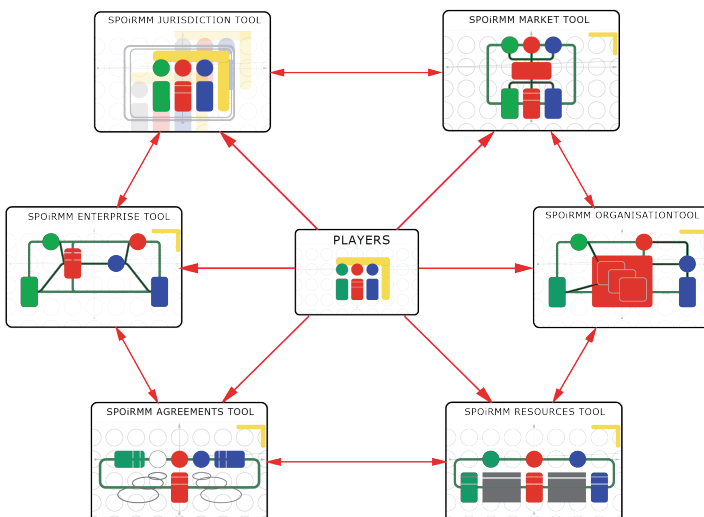
In the context of risk management planning, things that happen inside a Player have the potential to be risks, either positive or negative. These internal risks may be similar to the Strengths and Weaknesses of a SWOT

1.5 SPOiRMM Tools

The six SPOiRMM Tools are derived from the Players and are used in risk management planning to describe six key risk contexts as described in the following table.

SPOiRMM Tool	Type	Is About	Risks Area	Key Phrase	Key Word	Focus
Jurisdiction Tool	Influencing	External influences on the market	Risks from regulatory environments and other markets	Boundaries set rules	Rules Markets	External Social
Market Tool		The market, its size, stability and Players relative strengths	Risks from changes to the market	Markets exchange products	Products Share	External Physical
Enterprise Tool	Managing	The role of the enterprise in the market	Risks in providing benefit	Contracts are balanced	Roles Contracts	External Social
Organisation Tool		The internal organisation of the enterprise	Risks in internal structures and processes	Departments collaborate	Departments Functions	Internal Physical
Agreements Tool	Doing	Agreements between departments and players	Risks in internal and external agreements	Needs are negotiated	Needs Services	Internal Social
Resources Tool		The resources an enterprise uses	Risks in using staff and supplies	Things are moved	Processes Time	Internal Physical

The SPOiRMM Tools are used individually and together to help an organisation identify and understand all the issues it faces. When issues threaten to become risks, using the SPOiRMM Tools helps to analyse a risk and understand how best to manage it.



Each of the six SPOiRMM Tools has a graphical representation and, when shown together, they are either shown in the order as in the table above or clustered around the Players diagram as shown at left in what is called the Star Chart v1.

1.6 Key Project Roles

The key participants in the risk management planning project are the Risk Plan Sponsor, Risk Plan Coordinator and the Working Groups.

1.6.1 The Risk Plan Sponsor

To be effective, the risk management planning project should be approved and supported by the person or group that has overall responsibility for managing risk on behalf of the organisation. This person or group must have authority to accept risks or to use resources to treat them. This person or group is referred to as the Risk Plan Sponsor.

The Risk Plan Sponsor is responsible for developing the Risk Policy which supports the risk management planning process in their organisation, for example by approving the appropriate resources and reviewing the project on a regular basis. The Risk Plan Sponsor needs authority to approve the project plan, evaluate risks and sign-off the Risk Management Plan.

Usually the Risk Plan Sponsor will be the CEO, executive group or a nominated senior manager. Responsibility for some aspects of this role may be delegated, for example in an organisation where separate risk management plans are sponsored by facility CEOs and then finally endorsed by the group's executive or board.

The Risk Plan Sponsor appoints the Risk Plan Coordinator.

1.6.2 The Risk Plan Coordinator

The Risk Plan Coordinator is responsible for managing the risk management planning project and is accountable for providing the Risk Plan Sponsor with a completed Risk Management Plan for review and sign-off. The Risk Plan Coordinator is authorized by the Risk Plan Sponsor to complete the agreed project plan.

The Risk Plan Coordinator liaises with the Risk Plan Sponsor and executive team to create a Project Plan. This Project Plan describes the entity for which risk will be assessed, the time frame of the project, the Working Groups that will work on identifying risks, and the process for prioritizing risks.

Organisations will determine who is the most appropriate person for the role of Risk Plan Coordinator. It could be, for example, an existing Risk Manager or Quality Manager, or another department head. Organisations may choose to have one Risk Plan Coordinator per facility plus a group Risk Plan Coordinator that looks at group-wide risks.

To be effective, the Risk Plan Coordinator needs to possess the skills and resources appropriate to project planning and management, group facilitation and risk plan completion.

1.6.3 The Working Groups

The quality and value of the Risk Management Plan created will depend to a large degree on ensuring adequate representation of all stakeholders.

The Working Groups need to represent key internal and external stakeholders to ensure that the Plan is informed by all the knowledge and experience available.

Internal stakeholders need to be represented by staff who have good knowledge of the risks faced and their consequences.

External stakeholders represented need to understand the organisations needs to address their risks and to mitigate its own risks.

The selection and creation of Working Groups is covered in the *AiRMS* application reference manual.

1.7 Key Risk Planning Concepts

The risk management planning concepts used in SPO/RMM are outlined here. Each is further detailed under the Working Group section in the A/RMS reference manual. The key concepts are:

- Issue Identification
- Risk Listing and Grouping
- Risk Analysis
- Risk Ranking
- Risk Evaluation
- Risk Accountability

1.7.1 Issue Identification

Issue identification is the process of eliciting from Working Group participants the issues that they believe confront the organisation in question.

An issue is a concern that may, after discussion and study, be deemed a risk.

For an issue to be deemed a risk it must have potential material consequences for the organisation undertaking the risk management planning exercise.

The distinction between an issue and a risk is used to ensure that Working Group participants are not restricted in their suggestions in the initial stages of risk management planning.

Some stakeholders may themselves face risks which are not deemed of consequence to the organisation in question and these remain issues rather than becoming risks.

The threshold for admitting issues as risks can be kept low, as SPO/RMM™ allows the structured analysis and prioritization of risks that prevents risks of low importance from taking up undue resources.

The Players, Internal Stakeholders and SPO/RMM Tools are used as structured triggers for this Issue Identification phase.

In Working Groups, the Players and Internal Stakeholders are used as background information whilst issues and risks are elicited by working through the six SPO/RMM Tools.

From the outset it is helpful to classify issues and risks by the basic categories of governance, business and operational.

1.7.2 Risk Listing and Grouping

The aim of Risk Listing and Grouping is to arrive at a manageable, well stated list of risks to be further worked on.

Firstly, once an issue has been raised it needs to be clearly stated to avoid ambiguity and potential confusion. It is important for participants to be helped to clearly state their thoughts. This can be tested by ensuring that the Working Group members understand what is intended by those who suggested the risk.

The second level of clarity is provided by using the basic categories of governance, business and operational risks. Subsequent analysis and characterization of risks using the SPO/RMM structure will reveal commonalities and differences between risks and may lead to a restatement or reformulation of the risks.

A suitable method of grouping risks is to use an Affinity Diagram approach. If Working Groups need to prioritize risks to be worked on, Weighted Voting can be used. Both techniques are covered in Part 2.

1.7.3 Risk Analysis

The Risk List created is the subject of Risk Analysis with each risk or risk group being analysed in sequence.

In SPOiRMM each risk is analysed by agreeing and documenting three sets of characteristics:

1. the external stakeholders involved or affected
2. the type of risk in question by SPOiRMM Tool, and
3. the internal departments or functions of the enterprise involved.

AiRMS contains a Risk Analysis workspace used to document results.

For most risks it is usual for more than one external stakeholder, risk type and internal department to be involved. This information is also recorded in **AiRMS**.

The value of this analysis is twofold. First, it helps in creating a better understanding of the risks studied and may lead to a restatement of the risk.

Secondly, Risk Analysis assists in establishing how the risk will be addressed. The departments affected will likely be the ones where action is required, the risk type helps understand the type of action required, and the external stakeholders affected determines which will need to be involved.

1.7.4 Risk Ranking

Risk Ranking is the assessment of the severity of the risk.

The Risk Plan Coordinator and Sponsor need to decide upon, and document, the process for Risk Ranking.

Risk ranking is usually achieved by a method that estimates levels of likelihood and consequence for each risk considered, and records them.

AiRMS contains a Risk Ranking Workspace in which to record this information.

A numeric scale may be used for likelihood and for consequence and these may be multiplied to achieve a score, or a matrix can be created showing the resultant rankings. An example matrix is given in Part 2 and further information can be found in AS/NZS 31000:2009.

Where a strategy for risk mitigation has previously been identified, risk ranking should be estimated for the risk both with and without the strategy. The difference between the risk rankings shows the overall effectiveness of the strategy and the differences in likelihoods and in consequences shows the nature of the strategy.

1.7.5 Risk Evaluation

Risk Evaluation is the prioritization of risks to be treated by the organisation as determined by the Risk Plan Sponsor.

Whilst Risk Ranking gives an assessment of the severity of the risk itself, Risk Evaluation allows for organisational priorities and restraints to be expressed.

AiRMS contains a Risk Evaluation Workspace in which to record this information.

The evaluation criteria should be determined in the planning phase and included in the Risk Policy and in the project plan. In light of the information gathered reconsideration of these criteria may be required prior to final Risk Management Plan sign-off.

The Risk Evaluation is informed by the Risk Analysis which reveals the stakeholders involved, and the Risk Ranking which reveals the assessment of the severity of the risk and effectiveness of mitigation strategies.

1.7.6 Risk Accountability

Risk Accountability is the responsibility of the Risk Plan Sponsor who determines organisational accountability for each risk evaluated as requiring treatment.

This decision is informed mostly by the Risk Analysis which reveals the departments affected

and hence those through which actions need to be taken.

Risk Accountability is recorded in the Risk Evaluation Workspace in *AiRMS*.

A review process is essential to ensure that accountability is carried out effectively.

1.7.7 Risk Treatment

The treatment of risks prioritized as requiring mitigation requires a further degree of study to understand their causes. Techniques such as Root Cause Analysis are appropriate for this phase but are beyond the scope of *SPOiRMM*.