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A wider lens

The importance of risk for resilient organisations

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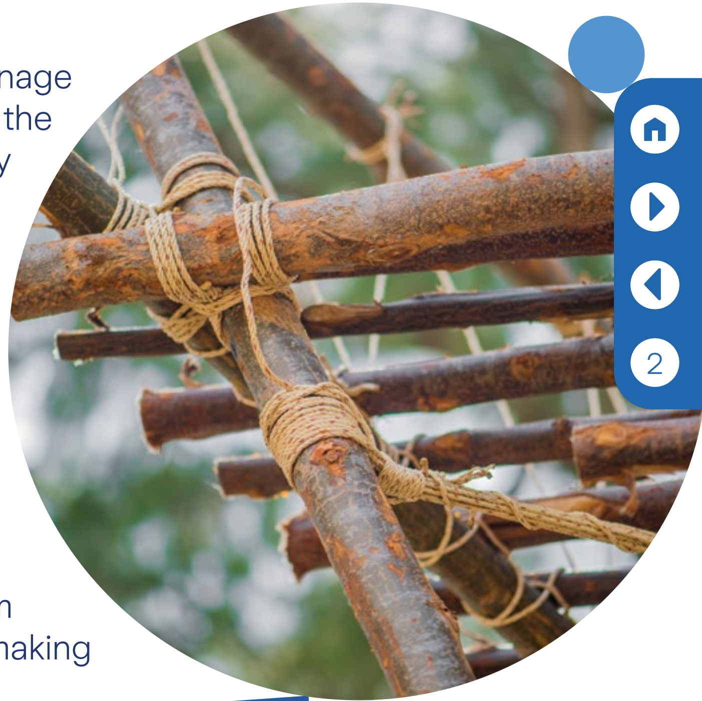
Introduction

"The bamboo that bends is stronger than the oak that resists." Japanese proverb

Since 2020, the risk environment in which public services operate has been among the most unpredictable and challenging in recent times. Described by some as being the 'perfect storm', the combination of a global pandemic, cost of living crisis, fuel crisis and funding pressures has resulted in inter-related and concurrent challenges.



Public service organisations, many of whom are over-stretched and fatigued, are having to manage the demand of competing and sometimes conflicting priorities, with limited ways of answering the questions being asked of them. Many leadership teams have remarked that they are constantly operating in 'crisis mode', unable to see a light at the end of the tunnel.

There are few signs that the turbulent risk landscape will change or become easier to navigate. Decision makers are required to take uncertain and difficult decisions as part of business as usual. In order to do so, it is critical for leaders to take stock, go back to basics and invest in the fundamentals of risk management. With many organisations scaling back and making cuts wherever they seem possible, the dilution of risk resource and expertise could result in an inability to truly understand the total cost of risk.

Previous articles in our 'A Wider Lens' series have consistently touched on the importance of investing in effective risk profiling, analysis and management. Being able to have this long-term outlook remains critical and forms the base of good risk management in supporting decision making and building organisational resilience.

The insurance industry has responded to the pressures facing its customers by proactively providing risk management and prevention training and solutions. Today, a typical public sector insurance package is likely to include a mix of financial cover and risk prevention products. In addition, organisations alive to gaps in their risk resilience are utilising insurers' expertise to improve their risk management strategies, policies, and procedures.

What is organisational resilience?

Resilience is a term often used as an aspirational characteristic but never fully defined or understood.

Organisational resilience is an organisation's ability to anticipate, prepare, adapt, and respond to uncertainty and change, whether that be rapid or gradual.

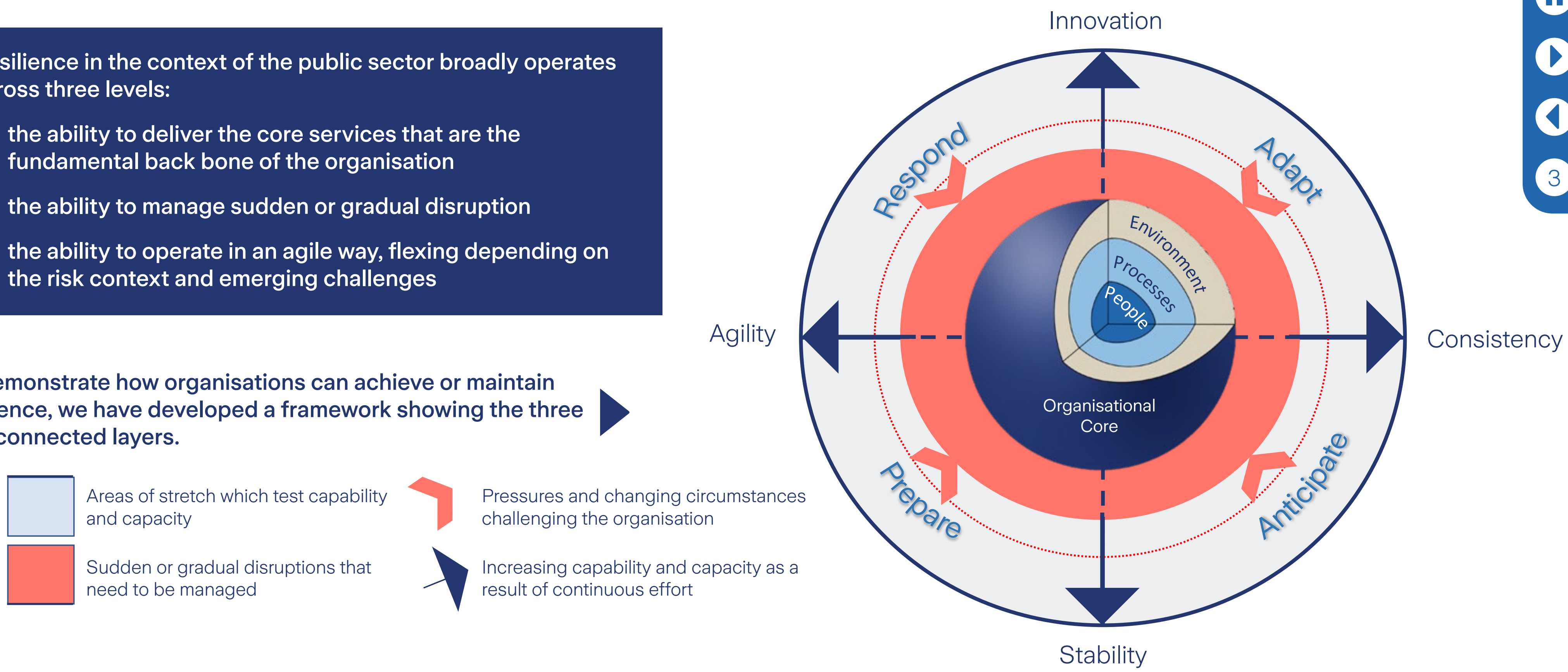
Resilience does not mean that all risk is reduced, or all priorities achieved. It does mean that organisations have established processes and frameworks to provide leaders with greater awareness and clarity to make the best possible risk-based decisions.

Without the fundamentals of risk management, progress towards long-term strategies can be halted by short-sighted, inconsistent, and reactive choices.

Resilience in the context of the public sector broadly operates across three levels:

- **the ability to deliver the core services that are the fundamental back bone of the organisation**
- **the ability to manage sudden or gradual disruption**
- **the ability to operate in an agile way, flexing depending on the risk context and emerging challenges**

To demonstrate how organisations can achieve or maintain resilience, we have developed a framework showing the three interconnected layers.



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Getting back to basics

The role of the risk manager

Given the difficult financial climate, understanding and managing risk is more important than ever. Despite this, there has been a decline in the number of risk managers as well as a dilution of skills and expertise in risk management more generally. The role of the risk manager is vital not only for driving the risk management process but also for being the strategic link across departments who can facilitate conversations, offer critical challenge, map interconnections, and create space for long term thinking.

The risk manager's role is not necessarily to undertake the tasks of identifying, analysing, and categorising. Rather, they are responsible for creating a framework that ensures everyone in the organisation has the information and tools required to evaluate the risks they encounter day-to-day.

We often see this role 'tacked-on' to a member of the finance, compliance, or even HR team. This de-professionalisation makes it extremely difficult, if not impossible, to develop risk resilience as there is no one in the organisation committed to driving a robust risk management culture.

Effective risk management needs to be supported by three pillars; competence, collaboration, and independence.

Competence - An effective risk manager must have the technical skills and qualifications to undertake and complete their tasks. These include applying concepts of risk identification, analysis, evaluation, and control as well as risk perception, risk appetite and successful communication.

Collaboration – Alongside technical skills, they must understand their organisation's governance and decision-making processes, its context and strategies and its organisational culture and ethics. They must embed a collaborative framework in which the organisation can effectively undertake risk management procedures.

Independence – Risk managers must be able to confidently inform their organisation's senior leadership team about possible risks, but they also need to convince colleagues and stakeholders that risk management tasks are crucial to the organisation's success and cannot be neglected.

Valuing your risk manager

Not having dedicated, professional risk expertise in an organisation can lead to external expertise having to be engaged to address issues that arise. While bringing in external expertise when necessary can enhance risk management activity, having a professional risk manager in post to commission that activity effectively and to implement improvement recommendations is very valuable.

Zurich have a dedicated team in Zurich Resilience Solutions (ZRS) who often work in organisations in this situation.

Case study

A public service organisation sought to better understand their current risk management maturity in order to have greater clarity around their capabilities, development areas and which key risks they needed to monitor.

In the absence of a risk manager, the organisation employed ZRS experts to review existing risk documentation, identify challenges and develop action plans to overcome and manage risk effectively.

Case study

A public service organisation, without a dedicated risk manager, commissioned a risk management healthcheck from ZRS risk consultants. This highlighted several areas for development requiring additional support and capacity. The findings were presented to the senior leadership team, raising their understanding of the importance of risk management and leading them to begin recruitment of a professional risk manager.

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Getting back to basics

Investment in risk skill and expertise

Strategic risk management in the context of decision-making is a fundamental skill that leaders and managers are often expected to have but are commonly not trained on or given support with. Without a common understanding, language and methodology, inconsistencies can appear that make it hard to quantify and track risk.

Investing in risk management by developing understanding and roles in the risk approach will rejuvenate processes, encourage rigorous risk assessment, consistency and ultimately set the right tone at the top.

Key considerations:

- Provide regular training for all employees involved in risk management processes
- Run annual risk management training sessions for management including political or board members
- Develop accessible and concise guidance that can be easily shared and used

Facilitating discussions across departments

Case study

A local authority, with numerous ongoing projects at various stages of completion, expressed concerns around not identifying project risks or opportunities effectively.

By meeting with key stakeholders across projects and facilitating risk identification, the risk team could effectively review and update their risk registers accordingly. Not only could the organisation then better understand project risk management but the entire team became more confident in identifying project risks and opportunities.

Putting risk front and centre

Due to reporting cycles, capacity challenges and service delivery risk can be the afterthought at the end of the quarter or the year. However, for risk to truly be embedded it should be the driving force in decision making.

To avoid stagnant and outdated risk registers, building risk into part of regular and routine discussions ensures that its part of, and relevant to, service delivery.

Key Considerations:

- Refresh and update risk registers so that they reflect the current challenges above the inherent risks that are part of business as usual
- Utilise regular and routine discussions to shape the risk record
- Structure meeting agendas to ensure risk is a priority
- Challenge risk owners on the risk scores, controls, and movement of risks at both a service and strategic level

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Getting back to basics

Risk identification

Identifying risk is the first stage in the risk cycle but it is often one of the hardest. Ensuring that the right risks are identified requires organisations to strike the balance between high level themes of risk and a meaningful record that details the overall risk position, progress, and future steps.

One of the key indicators of ensuring the right risks have been captured is to use the strategic objectives or targets as the starting point for identification. Working back from the end goal will also enable a forward-looking risk management approach that is relevant to decision making and one that is centred around the risks not issues.

Horizon scanning is a key risk management tool. Ultimately greater awareness of the challenges ahead ensures the best ways of management can be determined.

Key considerations:

- Link risks to the relevant, strategic, operational or project objectives and targets
- Hold regular horizon scanning sessions to ensure evolving and emerging risks are considered
- Assess risk registers regularly, to ensure risk controls remain effective and any newly emerging risks are captured

Identifying the right risks

Case study

A public sector organisation took the decision to start their risk approach from scratch. Whilst they found that it encouraged new ideas, the task of developing new frameworks, processes and identifying the risks themselves was daunting, particularly when resource was stretched.

The risk manager facilitated discussions to identify the organisation's true risks and employed clear and consistent messages across each service and department. By doing so, the organisation avoided overcomplicating the process. They could ensure there were clear assessments and escalation processes while embedding a consistent approach across departments.

Case study

A public sector body was unsure whether their strategies where achievable or if they were monitoring the right risks. They were concerned that this could pose a potential barrier to future success.

By facilitating a resilience workshop with leaders in their organisation, resilience could be looked at in a more holistic way. The workshop was structured around understanding the organisation's long-term aims, identifying challenges, and developing action plans. The session resulted in greater clarity around the organisation's capabilities and development areas to monitor risks more effectively.

Getting back to basics

Driving a culture of resilience throughout your organisation

Having a robust risk resilience culture ensures everyone, from the leadership team down, can, when required as part of their role:

- **Undertake risk profiling and analysis**, looking at the long-term impacts of a risk event and therefore uncovering its actual cost.
- **Use risk-related data to pinpoint where potential risks lie**. Organisations hold a huge amount of data that can inform risk identification including, but not limited to, claims data, asset registers, service user or tenant data, incident management systems and complaints records.
- **Ensure departments are not acting in silos and are communicating with each other**. For example, for flood risk management, highways, planning, environment protection, asset management, housing, community teams, procurement, and emergency co-ordinators and responders need to work together to be effective.
- **Analyse past risk events, cascade the lessons learnt through the organisation and, most importantly, implement necessary improvements and changes.**

The foundation of a risk resilient culture is conversation. Risks are dynamic by nature so a risk resilient culture involves a continuous discussion between all departments. One of the key areas in which a risk manager brings value is in facilitating that conversation and driving action.

It is only by getting people meeting and talking regularly about risk management that clarity can be gained around what resources are available and whether they are being directed to the areas that need them most.

Embedding risk into culture

Case study

A local authority sought to embed their Climate Emergency Plan (CEP) within existing structures to better approach climate commitments such as Net Zero targets, whilst supporting a growing culture around climate action and creating a more robust long-term strategy.

Through listening to strategic stakeholders and facilitating conversations, the risk manager could map out the organisation's wider perspectives and better identify risks aligned to CEP objectives.

Amidst the challenges of delivering critical services and balancing financial pressures, organisations can lose sight of the fundamentals of risk management and the pivotal role effective risk management can play in decision making. There are numerous benefits for revisiting the basics as outlined in the narrative and case studies in this paper.

Realising the value of risk comes from investing in the right resources and expertise, ensuring that risk registers clearly and concisely reflect the real threats facing the achievement of objectives, giving people the right skills to implement the process and conducting that process as part of business as usual.

How can Zurich Municipal help?

At Zurich Municipal, we help protect the things that really matter to you. Since 1993 we've insured charities, voluntary organisations, housing associations, and the education and public sectors, helping you to better understand and reduce the risks you face.

We want to help you remove the barriers that could make it harder for you to achieve your objectives and serve your communities. That's what good risk management is all about.

Zurich Resilience Solutions, our in-house property, casualty and strategic risk management teams are here to help with a range of consultancy services. Our experts can help you to identify your risk exposure, assess your mitigation against best practice and assist you in protecting your assets. We have developed a range of solutions, giving you greater confidence to achieve your goals.

To discuss any aspect of this paper further or for more information, please email info@zurichmunicipal.com or get in touch with Zurich Resilience Solutions at zrs.enquiries@uk.zurich.com.

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