

# THE RISK MANAGEMENT PROCESS



S|D|A|O

SPECIAL DISTRICTS  
ASSOCIATION OF OREGON

# THE RISK MANAGEMENT PROCESS – A FOUR-PART SERIES

The Risk Management Department is excited to announce our series on the Risk Management Process. This series of articles was designed just for our members. Each article will help you develop a risk management process for your organization that is easy to understand. Each Newsletter will explore a different process that will provide information to help reduce your liability and increase the safety of your district.

Over the next few months, we'll discuss Risk Assessments, Controls, Implementation and Follow-Up. Be sure to check out the descriptions below and be sure to read the Newsletters.

**Risk Assessment** will discuss who to involve in your assessments, identifying and prioritizing exposures, identifying your risk tolerance and discovering the importance of risk assessments.

**Controls** takes into consideration that you identified concerns during the risk assessment and now we will discuss four options for putting risk controls in place to help mitigate those exposures.

**Implementation** will address areas such as creating plans, implementing the plan and ideas on how to analyze, reevaluate and assess to ensure effectiveness.

**Follow-Up** will address the importance of following up on areas identified for improvement and will provide some ideas and best practices of how to do it effectively.

We hope you will find these articles helpful to your risk program. If you have any questions regarding your program or if you would like assistance from us, please reach out to the risk management team at:

**800-285-5461 or [riskmanagement@sdao.com](mailto:riskmanagement@sdao.com).**



# RISK MANAGEMENT PROCESS SERIES: ASSESSMENT

If you've ever checked the weather before you went on a camping trip, you've completed a risk assessment. In the simplest of terms, a risk assessment is the process of identifying the potential bad stuff that could happen to your plans. For both camping trips and organizational strategic plans, effective risk assessment can increase the likelihood of everything being efficient, safe, and successful.

## How do I do a risk assessment?

All risk assessments will involve identifying risks and assessing them in some way.

### IDENTIFYING RISKS

To ensure you identify as many potential risks as possible, it's essential that you get all the right stakeholders in the room. For a special district, this could include leadership, staff, insurance partners, or agents, but this list is not exhaustive. If you don't have a broad spectrum of stakeholders engaged in your risk identification process, some risks are bound to be missed.

Another gold mine for comprehensive risk identification is your industry. What risks are similar organizations facing? You may find that there are ample resources online that discuss common industry risks. Alternatively, you can reach out to other organizations like yours or professional associations (e.g. OWRC, OAWU, ORPA, OFCA) and see if they would be willing to share their risk assessments.

### ASSESSING RISK

Typically, when we're assessing risks, we want to know their likelihood and severity. In other words, their impact.

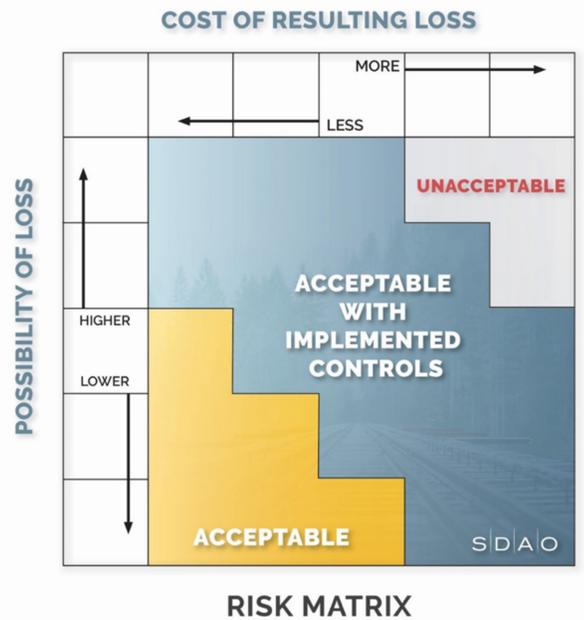
Some organizations find it helpful to use a risk matrix. This tool can help you decide how impactful a risk could be, and whether you will choose to tolerate it. Different organizations may accept different levels of risk.

Taking a look at the matrix below, let's imagine that ABC District is assessing their risk of an earthquake. Perhaps they assess that an earthquake is possible and very expensive. Given how impactful an earthquake would be to ABC District, they may decide the risk is "unacceptable" and begin taking actions to remediate the risk.

As can be expected, a risk matrix is particularly helpful with prioritizing risks. It's also purpose-built to help you determine risk impacts that are unique to your organization (for example, tsunamis probably don't make the priority list in eastern Oregon).

### COMPLETING YOUR RISK ASSESSMENT

Once you've identified and evaluated your risks, your assessment is complete and you're ready for the next step in the risk management process – risk controls. We'll be discussing risk controls in the next newsletter, so stay tuned.



# RISK MANAGEMENT PROCESS SERIES: RISK CONTROLS

In the last article, we discussed that the first step of the risk management process is to identify and assess each of your risks. By now, you should have identified the likelihood and severity of your risk exposures and evaluated your organization's risk tolerance.

Now we'll explore different options for addressing identified risks.

Whether you are addressing a task list from a recent safety inspection, or evaluating a new program, your options for dealing with potential risk can best be analyzed using the four risk controls: acceptance, avoidance, transfer and mitigation.

## RISK ACCEPTANCE

Although not a true control, you may accept the risk when the severity and likelihood of the risk is insignificant.

## RISK AVOIDANCE

If you determine that the severity of the hazard and the likelihood of it happening are more than your district can stomach, you will not proceed with the activity.

## RISK TRANSFER

If you determine the risk is too great, but the underlying activity is a necessary function, the control for you might be risk transfer. Typically, this refers to transferring the risk to a third party. This might look like hiring a contractor or having insurance to cover the exposure.

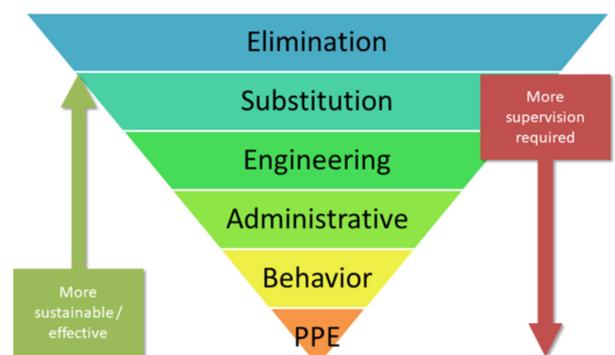
## RISK MITIGATION

This option involves taking steps to lessen the likelihood and/or the severity of the hazard. This may include things like putting policies, procedures and plans into place. For instance, if your organization experiences an earthquake, you may have a contingency plan that outlines everyone's roles, priorities and tasks to get back up and running quickly, thereby minimizing the amount of downtime your district experiences.

Risk mitigation could involve putting a preventative and predictive maintenance program into place to ensure all systems, equipment, and buildings are receiving their required maintenance and replacement on a regular schedule.

Additionally, you may consider utilizing the hierarchy of controls. The hierarchy of controls outlines what controls are the most effective (eliminating the hazard) to least effective (personal protective equipment). By utilizing the hierarchy, you can determine what options you have for mitigating the hazard and which would be the most effective. With these risk controls in mind, you're ready for the next step of the risk management process – risk implementation.

## Controlling Hazards



# **RISK MANAGEMENT PROCESS SERIES: IMPLEMENTATION**

Implementing a Risk Management Plan sounds intimidating and daunting. The good news is you have made the proverbial leap by committing to the process and simply getting started. At this point in time, you have completed a risk assessment for your organization and risks have been identified, categorized, and prioritized. The organization has determined acceptability and controls in terms of risk, based on the organization's risk tolerance. Whether the team has chosen to avoid, transfer, mitigate, or accept the associated risk, the organization is ready to implement and carry out their plan.

The steps your organization takes during the implementation process will ultimately determine the success and impact of your overall risk management plan. While each organization's final risk management plan will be specific to their needs, the plan should be fully descriptive and SMART (Specific, Measurable, Accurate, Realistic, and Time Specific). The following paragraphs highlight a few key ideas and strategies to best obtain the intended outcomes you are seeking.

## **BUILD TRUST**

For any plan to be successful, buy in and trust is essential for all involved. It is important for the owners (risk team, safety committee, upper management, administration, etc.) of the plan to be unified in their approach to supporting safety. Working together to support the plan will promote buy-in and support from all members of the organization, top down.

## **EDUCATE EVERYONE ON THE PLAN**

Employee buy-in and support within each organization can be a challenge, so it is important all employees understand why the plan was formed and why enforcement and documentation is required. Consider developing a risk register or spreadsheet that identifies key areas such as description, risk control, risk response, goal, status, person identified as the owner, and other factors the organization may seem important. Be transparent by providing factual evidence from your organization and similar entities. Further, ensure everyone is aware of your current risks and risk controls.

## **SET CLEAR EXPECTATIONS**

Clean, clear, and concise expectations should be communicated with all stakeholders. All employees of the organization should be held to the same standard. For example, if a member's policy does not allow portable heaters to be used, then it needs to be clearly communicated and enforced for all employees regardless of position or title.

## **CONTINUOUS MONITORING AND ASSESSMENT**

Be sure to monitor and assess risks continuously throughout the project and beyond. Celebrate successes, recognize and understand mistakes, and learn from failures through continued monitoring of the project. It is completely normal that observed outcomes may not initially be the desired outcomes. One of my favorite professional sports athletes and NBA legend Michael Jordan sums it best, "I've missed more than 9,000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed."

## **FOLLOW-UP**

Finally, check your plan's effectiveness by conducting continual periodic audit reviews of the risk management policy. Periodic audit time frames could look different depending on the level of risk associated with a given activity. Stay tuned for the final article in developing a risk management plan where the follow up piece will be examined more closely.

## RISK MANAGEMENT PROCESS SERIES: FOLLOW-UP

This brings us to the final installment of our risk management newsletter series on the risk management process. In the last three articles, we addressed risk assessments, risk controls and implementing solutions. You can find those articles in our previous newsletters. In this article, we will focus on the equally important topic of following up.

This topic brings me back to my former career in manufacturing and a memory I will not soon forget. In short, we had a fire in one of the tools on the factory floor after preventative maintenance was performed. We went through our investigation and followed the risk management process. It was determined that during maintenance a bolt was left in the tool that caused an electrical short and the resulting fire. We decided to mitigate the risk of additional fires by implementing a plan. One portion of the plan was that all tools and parts must be put into a plastic bin while performing maintenance. This would ensure that no tools or parts were left in the tool after maintaining the equipment.

Not even a year after that initial fire, we had another fire in the same tool. This fire was caused by unintended consequences of the plan we put in place. This time, the plastic bin we required them to put tools and parts in was left in the tool and caused the fire.

Shockingly, interviews after the fire revealed that workers were aware that bins had been left in the tool on several occurrences and only discovered during preventative maintenance. Unfortunately, they never reported these occurrences. Of course, this led to the second fire.

Now 20 years later and a little bit wiser, I can see several red flags in this event, but for the case of this article we will stay on topic. We did not have a plan to follow up. If we had implemented a follow up process and talked with staff operating the tool and performing the maintenance, we would have identified soon after the initial fire that our plan was not good enough to mitigate the risk.

My hope is that by sharing this experience with you, you will learn from the costly lessons that I learned the hard way. You see, when we evacuated the factory due to the fire, the company lost over a million dollars a minute in lost productivity. The risk management process should be looked at as a continual process and we should always be following up when we make changes to the workplace and work processes. So, let us talk about the considerations of the follow up process.

Taking into consideration the previous steps of the risk management process, we should have identified the solutions to be implemented and the intended outcomes of those solutions. Once those solutions get implemented, we want to have a formal process in place to follow up on those changes to the work environment and processes. This follow up should include:

- Assign an individual or team to conduct the follow up,
- Identify the time frame(s) for the follow up to occur and
- Set the expectation of affected staff to report back any issues with the implemented changes as they are identified.



Ultimately, we are trying to identify through the follow up process any unintended consequences of the plan that was implemented in addition to deciding if our plan met the intended outcomes. If any deficiencies are found, we should be working back through the risk management process to fine tune the plan so that the intended outcomes are reached. So, you might be asking what the actual follow up looks like... I'm glad you asked, it could look very different depending on the complexity of the plan put in place, but below are some common practices.

- Interviewing (talking with) affected employees
- Auditing processes and procedures
- Observing the work process and workflow
- Measuring results
- Addressing near misses and unintended consequences by working back through the risk management process

We hope you have enjoyed our news article series on the risk management process and hope you have been able to glean some helpful tactics and practices to implement in your organization. As always, your Risk Management Team is here as a resource for you and your team.

***Please reach out to us at [riskmanagement@sdao.com](mailto:riskmanagement@sdao.com) if we can be of service to you in helping mitigate risk and prevent losses.***

