

Enabling Risk-Informed Decisions by Looking at the Big Picture

Jared McKnight,
RIMS-CRMP, CSP,
CRIS, OHST

Background

Big Picture

Opportunity

Takeaways

Questions

Resources

Background

*It's taken time, experience, and mistakes to realize that **safety is typically not first...***



Experience

Mistake

ERM

Experience

Operations

Rig servicing, oil and gas operator



PSM & RMP

PHAs, HazMat Business Plans, RCFAs, Job Safety Plans, Project Safety Plans, etc.

OHST



Corporate Risk

EHS Risk registry, Enterprise risk, Cross-functional risk (ERM light)

CSP, CRMP



Workers Comp

Loss control

CRIS



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Experience

Mistake

ERM

Mistake

My cognitive bias may have resulted in inefficient use of company resources



Takeaway

- Everything has a price, including lives (and sadly it's not as high as you may think)
- EH&S risks are typically **not** the highest risk of orgs

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Experience

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ERM



What is ERM?

Enterprise Risk Management:

A strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.

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● Hazard
● Operational
● Strategic
● Financial

**Establish
governance**

**Strategy and
objective
setting**

**Risk ID,
assessment,
and response**

**Communicate
and monitor**

Establish Governance

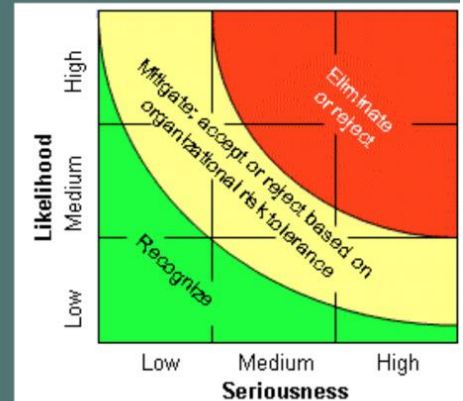
Based upon the organization's mission, vision, and core values, we establish risk criteria:

- Risk appetite
- Risk tolerance
- Risk capacity

It's also important to develop expectations of training for employees to ensure the organization is "risk informed"

- Take advantage of the human nature of risk management

Development of a committee of stakeholders



Note: appetite, tolerance, and capacity may differ dependent on objective!

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Strategy and objective setting

Business objectives and strategies are imperative to success.

What's a typical safety objective that's measurable?



H&S example

Objectives:

- *Total Recordable Incident Rate of X*
 - *Reduction of # of Potentially Serious Injury or Fatality (PSIF) from X to X*
- The list goes on...*

Strategies:

- *Increased focused inspections and audits*
- *Enhanced training using latest tech*
- *Incorporation of automation*

Outside of H&S... Let's talk beer

What objectives might a brewer have

Objectives:

- *Increase distribution by 25%*
- *Decrease bottling and canning time by 15%*
- *Increase taste satisfaction survey results by 10%*

Strategies:

- *Perform target marketing based upon independent studies with an increased focus on social media platforms*
- *Review and implementation of QA/ QC and automation efforts*

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Risk ID, assessment, and response

- **Risk ID:** Stakeholders from all aspects of the organization identify risks to *THEIR* departments objectives and strategies
- **Assessment:** Risks and opportunities (not all risks are pure!) are assessed using the criteria created in Governance: **Cross- departmentally** (breaking the silos)
 - Risks are categorized into buckets
 - Some organizations have 4 buckets, some have up to 10 or more
 - Fit for purpose

Facility aging
Natural disaster
Supply chain cutoff
Credit inflation
Sexual harassment suit
Pandemic
Employee retention
Dust explosion
Phishing attack
Leadership negative media
Resource cost inflation
Regulatory constraint
New competitor to market

Common Risk Categories

- **Hazard risks**
 - *Risks that present a high level of threat to life, health, or property*
- **Financial risks**
 - *Risks that are directly related to money, including increased costs or revenue declines*
- **Strategic risks**
 - *Risks that affect or are created by strategic business decisions*
- **Operational risks**
 - *Risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events, including legal*
- **Reputation risks**
 - *Risk of loss resulting from events such as adverse actions for negligent hiring, publicized high-level fraud or unethical behavior*

Cascading risk

Risks often cascade through risk categories. This is where ERM shines.

Example:

- *Operational risks include compliance with wrongful termination and workplace harassment laws*
 - *This risk is often transferred by insuring via EPLI, however the reputation risk would likely not be transferred*
 - *Result = company exposure*

Employment Practices Liability Insurance (EPLI) includes coverage for defense costs and damages related to various employment-related claims including allegations of Wrongful Termination, Discrimination, Workplace Harassment and Retaliation.

Risk ID, assessment, and response

- *Responding to risks*
 - *Once assessed, determine if the risk is within appetite and/or tolerance*
 - *Determine if response is needed*
 - *Response options:*
 - *Risk avoidance*
 - *Risk reduction*
 - *Share or insure*
 - *Risk acceptance*
 - *Action plan creation to ensure completion*

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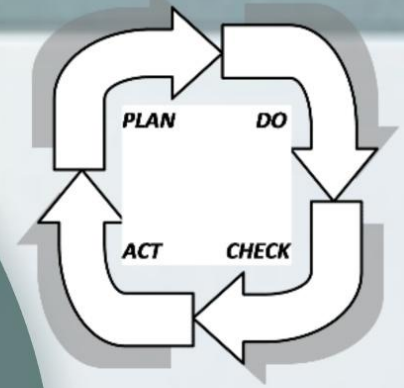
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Communicate and monitor



- *Communication leads to awareness and awareness leads to risk informed decision making.*
- *KPIs and KRIs developed to monitor and respond*
- *E.g. KPI of Incremental distribution growth*
 - *KRI development: Monitor potential causes of deviation to your KPI*



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Opportunity

- It all begins with realizing that a dollar figure must be placed on EVERYTHING and
- Health and safety risks, financially speaking, are directly transferred in the form of workers compensation
 - Indirect loss still applies- exMod, employee retention, so on

**Improve
resource
efficiency**

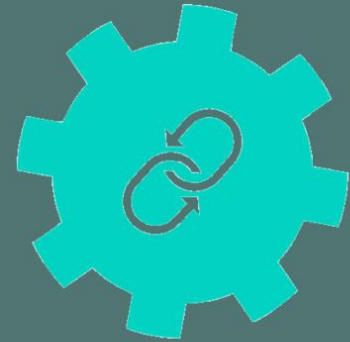
**Enable
opportunities**

**Gain
credibility**

Gain resource efficiency

Applying a cross-functional risk management strategy allows for more efficient and effective use of company resources of all types

- *E.g. if employee retention instability proves a high risk the company can approach the risk from numerous angles*
 - *An employee survey may find that employees want:*
 - *More voice*
 - *Better response to identified hazards* 🖐️ 🦊
 - *More effective leadership*



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Enable opportunities

A risk informed, cross-functional team will lead to empowerment and buy-in when seeking business opportunity, as well as department by department voice

- *Smart acquisition opportunities*
- *Strategic marketing*
- *Reputation awareness*



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Gain credibility

A seat at the table

- *As a safety professional, being enterprise risk informed leads to cross-functional credibility*
 - *All on same page with common goal-success of organization*
- *Opportunity to weigh in on decisions BEFORE they're made*
- *Professional development opportunities*



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Get involved

**Keep it
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**Know when
to fight**

**Safety as a
value**

Get involved

Getting involved will look different from organization to organization based on size, org type, and maturity, but it all comes down to **asking questions**

- **Understand your organizations vision, values, and objectives**
- **Ask key stakeholders how risks are currently managed**
- **Inform key stakeholders that you would like to be involved so you can be a more effective health and safety professional**
- **Learn the ERM framework**



Takeaways

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Keep it simple

ERM is based upon key risk management principles

- Scope
- Identify
- Assess
- Respond
- Monitor

We're just applying these principles across departments and assessing all department risks as a cross-functional team



Takeaways

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**Know when
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Know when to fight

Some choices are difficult but there are tools that can help us make the right decision, **FIGHT OR FLIGHT**



If more information is needed to determine fight or flight, consider:

- **Process Hazard Analysis (PHA)**
- **Benchmarking**
- **Vroom-Yetton Jago Decision Model (look it up, it's pretty amazing)**
- **BowTie**
- **SWOT**
- **Etc.**

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Safety as a value

To ensure safety holds a prominent and business effective seat at the table it should be incorporated into the organization's values, not priorities. Be the voice of change by gaining that seat.

A priority is something that changes, due to outside influences and demands.

*A value is something outside influences can't change.
Developing a strong safety culture will*



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**Thank you for
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Questions?

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COSO

<https://www.coso.org/SitePages/Guidance-on-Enterprise-Risk-Management.aspx?web=1>

ISO 31000

<https://www.iso.org/iso-31000-risk-management.html>

RIMS

<https://www.rims.org/home>

Decision making techniques

<https://creately.com/blog/diagrams/decision-making-techniques-tools/>

Safesite

<https://safesitehq.com/>

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