



## **IS THERE A COMMON THEME WITHIN RISK MANAGEMENT SYSTEMS AND HOW DO THE PRINCIPLES RELATE TO THE OPERATION OF MY BUSINESS?**

All businesses carry differing levels of inherent and controlled (residual) risk. Understanding your business and processes in detail can help you to identify where the exposures are lurking, their type and size of threat they represent.

Fortunately, there are common themes and tools to assist you. Combined with understanding some basic definitions, the disciplined application of these tools is the key to success.

## **WHAT IS A HAZARD?**

A hazard is anything with the potential to cause damage, harm or injury. We often limit our thinking of hazards to personal injury. Thought about more broadly, business hazards exist externally to and within operations.

- Competitors;
- Compliance (industry & regulatory);
- Employee & Industrial Relations;
- Environmental;
- Financial;
- Legal;
- Occupational Health & Safety;
- Processes;
- Quality;
- Suppliers.

### **Hazard Identification:**

A common theme within risk management systems is hazard identification. That is, analysing our business processes & systems to clearly understand where our exposures are located.

## **HOW DO WE DETERMINE THE PRIORITIES OF BUSINESS HAZARDS?**

After having identified the hazards our businesses are exposed to it is important to assess their significance. Without assessment, managers may try and control all hazards simultaneously and this is neither financially viable nor physically possible.

Risk is a common word 'bandied' around and yet it has quite specific application and meaning. It is the 'chance', 'likelihood' or 'probability' that an event will occur while the hazard is present.



Despite popular belief, hazards are not the same as risks and risks are not the same as hazards.

**Risk Assessment**

The method of risk assessment allows us to objectively measure the extent or size of risk associated with each hazard. Once all hazards have been assessed for risk level the data can then be ranked for significance.

This facilitates a strategic approach and improves resource management.

**Control**

Based on priority & significance each hazard and risk can be controlled using a hierarchy (menu) of control options.

**IS THERE A COMMON THEME OF PLANNING WITHIN RISK MANAGEMENT SYSTEMS AND HOW DO THE PRINCIPLES RELATE TO THE OPERATION OF MY BUSINESS?**

**PLANNING**

It has been discussed that formal hazard and risk analysis uses a strategic approach to identify opportunities and weaknesses within business operations.

The collation and analysis of all data from hazard identification and risk assessment leads to logical conclusions about the most important priorities to be addressed. This can assist with business management planning and budgeting in order to progressively manage business hazards and risks.

Business management planning requires some discipline, practice and regular review. Plans are designed to be flexible and not 'set in stone'; both external and internal business conditions can change and planning needs to accommodate these changes.

However, make sure you can monitor or track:

- What needs to be done to achieve the objective(s);
- Who is going to complete the actions;
- When the actions are to be completed;
- How realistic the actions are;
- How easily the actions can be measured.



**Therefore, ensure that the objective and / or your plans are S.M.A.R.T –**

- **S**pecific,
- **M**easurable,
- **A**chievable,
- **R**elevant and
- **T**imely.

**WHAT ARE THE COMMON BENEFITS OF FORMAL MANAGEMENT SYSTEMS AND HOW DO THE PRINCIPLES RELATE TO THE OPERATION OF MY BUSINESS?**

The benefits of using formalised management systems are extensive. Correctly implemented, management systems can be used to develop a company's efficiency, increase profit and reduce liability to legal, regulatory and consumer claims.

Without controlled processes and systems variations in manufacturing output and services can lead to unhappy clients, injured employees, raw material waste, excess inventory, production or service delays and spiraling costs.

**OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEMS (AS/NZS 4801; SA WorkCover Exempt or SABS Standards; Victorian Safety Map)**

The management of workplace and employee safety is central to the improvement of efficiency, profit and the reduction of accident, legal, lost time, rehabilitation and workers' compensation costs.

The Australian and New Zealand Standard (AS/NZS 4801) combined with the various state based OHSW standards provide a framework for the development of a safety management system. Such systems are focused on the identification of hazards and the measurement of risk connected with each.

Occupational health and safety management systems offer an ideal starting point for the development of quality and environmental management systems and their similarity provides for future integration and simplicity of procedures.

Certification to AS4801 and, or, achievement of state based OHSW standards can lead to reduced insurance premiums.



## **HAZARD ANALYSIS CRITICAL CONTROL POINT (HACCP) & FOOD SAFETY MANAGEMENT SYSTEMS**

The management of food processing and handling systems requires an assurance that food is consistently safe for human consumption. In a similar manner to most risk management systems HACCP relies upon an identification of hazards and the measurement of associated risk of an organisation's processes. These items are ranked and those having the most potential for customer impact are controlled. Critical tolerance limits and monitoring activities are established and corrective action procedures implemented when the tolerances are exceeded. HACCP systems are based on an international set of seven (7) guidelines developed by the World Health Organisation (WHO).

## **ENVIRONMENTAL MANAGEMENT SYSTEMS (AS/NZS – ISO14001)**

The management of an organisation's environmental impacts can also be used to drive the improvement of efficiency, profit and the reduction of accident, legal, lost time, site rehabilitation and public 'perception' costs.

As all companies have either a positive, negative or combined impact on the environment the use of formal management systems will help the company to:

- Identify opportunities for reducing inventory, waste and associated costs;
- Minimise the risk of an environmental incident;
- Meet legislative obligations;
- Demonstrate due diligence.

## **QUALITY ASSURANCE MANAGEMENT SYSTEMS**

Quality assurance systems provide a basis for the consistent delivery of identical standards in products and services requested by a customer. This concept can be applied to the relationships that exist between a supplier and their clients or between employees and departments within a company.

Variation in the method or procedures associated with an organisation's operations is the fundamental cause of sub-standard quality products and services.

Identification and analysis of the organisation's operations and their controls will provide an understanding of where system errors are occurring. Collation and the identification of priorities within this data can facilitate the correction of errors and remove the variation.

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## **EMPLOYEE AND INDUSTRIAL RELATIONS SYSTEMS**

Management systems cannot exist and operate in isolation. It is imperative that when improving operations the organisation's personnel are considered. Experience, knowledge, harmony, skills and team work are essential for success.

Identification and analysis of the organisation's team structures, working relationships and skill sets can provide a framework for improving operations concurrently with improvements in formalized management systems.

## **INTEGRATED MANAGEMENT SYSTEMS**

Many management systems share common principles and requirements that impact upon an organisation's financial performance. The benefits arising from within the framework of one management system are common processes and work practices leading to reduced costs and increased efficiencies.

### **HOW DO THE PRINCIPLES OF FORMAL & DOCUMENTED MANAGEMENT SYSTEMS RELATE TO THE OPERATION OF MY BUSINESS?**

#### **Documented Management Systems**

Procedures and records respectively provide the standard and proof against which the organisation can maintain, sustain and measure improvement.

Records are the 'real-time' evidence that a given task has been completed in accordance with standard work practices and allows for traceability of actions, activities, product and services.

The data can then be used in a number of ways but most importantly for monitoring trends and improving business performance.

Documentation & records also provide the evidence needed to demonstrate due diligence in any litigation.



**“I’ve heard stories that there is way too much paper involved. Why?”**

This statement is a common misconception and misinterpretation.

Well designed business management systems aim to reduce complexity & duplication including the amount of paper used. And remember, the various standards state that management systems can take any form or be in any medium.

Irrespective of formal & documented management systems, if you are using too much paper it is probably a sign that your processes and systems are overly complex or have ‘in-built’ levels of duplication!