

Risk & Uncertainty Management Form – Processes & Oversight

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(See also board and audit committee self-evaluation materials for additional detailed discussions.)

I. Introduction and Overview.

I consider this form a work in progress. Why is that? I seldom publish materials that are works in progress, but in this circumstance I don't see why not as the current state of risk and uncertainty management, and board and director oversight of risk and uncertainty management are all in various degrees of continual development and they will continue as such for some time to come.

I have intentionally not provided a checklist approach. More specific or targeted risk and uncertainty discussions can sometimes be found in other materials. But doing so in this material could cause more limited application of this form, which is contrary to the intent.

Management is responsible for risk and uncertainty management. The board and directors serve an oversight function. As a general proposition it is not possible to identify, assess, eliminate, control or manage all risk and uncertainty. To varying extent risk and uncertainty management requires the exercise of judgment relating to the future.

Although risk and uncertainty management topics tend to emphasize steps or processes, let's keep in mind that the steps or processes should be taken by people who should be qualified for their tasks, have access to the necessary pertinent and timely information, and have the appropriate demeanor or mindset, approach, street smarts and commonsense. Steps and processes are what they are, but people choose and exercise their own actions.

As risk, uncertainty and the future are always ongoing and changing, so are risk and uncertainty – management isn't a one-time event. Keep in mind as you monitor, follow-up, and schedule subsequent meetings and actions it is possible that some of the risk and uncertainty management that you do on day one might or might not be as helpful or relevant on day two, or in a week, a month or six months.

I have not discussed in this form board, board committee or director oversight or risk oversight responsibilities in detail as those topics and discussions are for other materials. You can find some of those discussions in my separate Board of Directors Annual Self-Evaluation; Audit Committee Annual Self-Evaluation Form; and 2-Page Board & Director Guidelines.

Technical materials, discussions and opinions about risk and uncertainty management already are voluminous and increasing. As eyes gloss over it's easy to lose sight of the forest for the trees. Instead, the intent of this form, as an ongoing work in progress, is to provide one useful version of a concise and uncomplicated but accurate easy-to-use and get started format to assist you in the oversight of risk and uncertainty management processes.

For some people the format provided in this form will be too uncomplicated or detail lacking – some of my risk professional friends might well consider this form too simplistic – but any person using this

form can add and continue to add as much detail as desired. I don't expect the majority of directors to be interested in reading and understanding twenty, or thirty, or more pages of technical terminology, materials and alternative theories. This form encourages a get started or keep going approach.

I do note that as this is a developing area different people might in part use different or additional risk management terminology or processes, some of which might or might not be appropriate or understood with universal meaning. Ask appropriate questions if necessary.

The discussions in this form are applicable for all entities – public companies, private companies and organizations, nonprofits and governmental entities – although depending on the entity type or situation, sometimes the terminology or context might be or need to be different. And of course some members of management and directors are extremely knowledgeable about these topics whereas others are somewhere in the middle or just beginning. All of that is okay.

One additional comment – about terminology issues – I can generally say that in certain circumstances I have issues with some of the risk and uncertainty terms that appear in some of the resources, depending on how those terms are used or described including in some circumstances, for example, risk appetite, risk tolerance, assessment, and similar terms. My issue relates to situations where the terminology or its use might imply that a specific level or quantity of risk is acceptable particularly when the possible resulting impact or harm could be significant. Even if developed through legal counsel, I would certainly assume and act as if risk management identification, evaluation and processes are discoverable in litigation. Additional discussion and consideration is needed.

This form does not provide legal or other professional advice, evaluation or opinion, and does not discuss legal or other professional standards, requirements or responsibilities – you should consult with a professional about your specific situation.

II. Risk and Uncertainty Management Defined

Several established and broadly recognized organizations have developed and provided their definitions of risk and uncertainty management. But there is no universally accepted definition. You will note that throughout this form in addition to “risk” I have included “uncertainty.” I prefer “uncertainty” to “risk” but the more often heard reference is “risk” management. “Risk” suggests the occurrence of a negative or loss deviation from expected results; but as deviations can also be positive or beneficial, I believe that “uncertainty” management is the more accurate description. In part ISO 31000 *Risk Management* uses the “uncertainty” terminology (ISO stands for International Organization for Standardization). Accordingly, for this form I have used both “risk” and “uncertainty” recognizing that “risk” is more universal whereas “uncertainty” is also used and I believe is more accurate.

Risk and Uncertainty Management: activities and processes used to help identify, evaluate or assess, prevent, manage, control, and monitor risks and uncertainties or deviations that may or may not occur in the future. Risk, according to ISO 31000, is the effect of uncertainty on objectives. Uncertainty or lack of certainty exists when the knowledge or understanding of an event, consequences, or likelihood is inadequate, incomplete or not absolute. In other words, as to the future we don't have a crystal ball, and there is a chance that things will not go according to plan or as anticipated or assumed. The chance of deviation from plan or anticipation or assumption can be negative or a loss, or positive or a benefit.

III. Risk and Uncertainty Management Processes

There are no completely universally accepted steps or processes.

The following steps and processes are intended to help you with your framework and approach. You might find that for your situation some of the below steps and processes are not needed, or you might decide that additional steps, processes or detail are needed. As previously stated – judgment definitely is involved in this process.

The below steps are more numerous than I would prefer – I am working to simplify and consolidate – but I also wanted to provide a possible process breakdown.

I have also inserted text fields which should allow you to insert comments and information. If you insert text you should save the modified form under a different file name. It may be more convenient to use this form if you print a hard copy so that you can more easily refer to the materials as you complete the steps and processes below.

1. Identify the people who will be involved in the risk and uncertainty management process, and if necessary reevaluate and identify the people who will be involved in the risk and uncertainty management process, and make changes, if any, after #3 below.

2. Identify the focus of the risk and uncertainty management – i.e., the organization, a division, a location, a project, a product, etc.

3. Identify the goal, strategy, objective, initiative or mission, etc. for #2.

4. Identify the potential risks and uncertainties for ## 2 and 3.

5. Identify the events, actions and root causes, etc. that could cause the #4 potential risks and uncertainties to occur, including possible multiple or interrelated events, actions and root causes, etc.

6. Identify key leading indicators for the #4 potential risks or uncertainties, and of the #4 potential risks or uncertainties occurring.

7. Evaluate the likelihood of the #4 potential risks and uncertainties occurring. Additional discussion about this step will be added later.

8. Evaluate the speed or velocity that the risks or uncertainties might occur or begin to occur.

9. Identify and evaluate the potential impact and harms, etc., and potential ranges of impact or harms if the #4 potential risks or uncertainties occur. Additional discussion about this step will be added later.
10. Identify and evaluate the possible steps or processes available to prevent, control or manage the possible occurrence of the #4 potential risks or uncertainties.
11. Identify and evaluate possible steps and processes available to help control, manage, mitigate, and respond to the occurrence of the #4 potential risks or uncertainties.
12. Identify and describe the risk and uncertainty steps and processes adopted and their applications to the specific #4 potential risks or uncertainties.
13. Identify the people and departments, etc., who are responsible for the implementation of the steps and processes adopted.

14. Determine the timing for the implementation.

15. Schedule follow-up, reporting and evaluation relating to implementation status, timing, successes, issues, and problems as prudent based on the facts and circumstances, make decisions, and take appropriate additional actions.

16. Schedule and implement monitoring, potential monitoring trigger points and timing, and the people and departments responsible.

17. Exercise overall oversight, review, evaluation, and possible reconsideration and modification of the above, make decisions, and take appropriate additional actions.

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