



PRINCIPLES OF MANAGEMENT SYSTEM RISK

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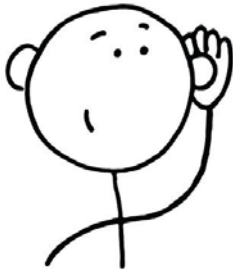
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Housekeeping

Can you hear me? – there is a dialogue box on your screen – please let me know via the ‘questions’ box on your screen if there is a problem at any time

Questions may be asked as above, I will note these as we go along, but due to the number of attendees, will respond either at the end or in ‘bulk’ with a FAQ once they are all in

A copy of this presentation will be sent to you – feel free to make notes, but there is no exam at the end...





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WEBINAR AGENDA

- ✓ What risk is?
- ✓ The principles of risk based thinking
- ✓ Risk based thinking as part of the process approach
- ✓ Why use, and the benefits of, risk based thinking
- ✓ Risk clauses within ISO and the PDCA model



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ISO 9001, ISO 14001, ISO 45001,
ISO 50001, SSIP

NQA Training Manager / Lead Auditor



Martin is an experienced lead auditor, with 20 years' exposure to the certification industry covering sectors including retail, manufacturing and assembly, construction, engineering, testing, mechanical & electrical installations, transport logistics, communication, education and training providers. Having knowledge of managing each step of the certification process, he is well positioned to understand clients' needs and support them through the certification process as well as develop their knowledge and skills as part of NQA Training.

What is risk?

- Risk is defined as ‘the effect of uncertainty’
- Within the context of ISO management systems, this relates to the risks associated with achieving intended results, enhancing desirable effects, preventing undesirable effects and achieving improvements
- Has always been implicit - remember preventive action...?
- Where is there risk and uncertainty? Typically – people, process, product, infrastructure
- Identify and address the uncertainty, and you can address the risk
- Risk can apply to any management system – but don’t confuse with OHS risk or aspects / impacts
- In plain English – what is in doubt that could affect what we do?



Types of risk

Financial

Compliance

Human

Environment / H&S

Perception

Operational

Infrastructure



The effect of uncertainty - or an uncertainty that affects...?

- Risk within ISO is defined as the former
- ...But the latter can determine the risk
- Whichever is chosen – risk is involved and the output is the same
- Action taken to address a risk, typically addresses an uncertainty
- ‘Contextual Risks’ in plain English are ‘Relevant Uncertainties’



Risk based thinking

- Risk-based thinking should be systematic within the management system, not a separate component
- Risk can exist in any part of the system, process or functions and should be considered at each stage
- Not all processes carry or will be exposed to the same level of risk(s)
- Identifying and addressing risks should be a proactive rather than a reactive process in preventing or reducing undesired effects
- Risk based thinking is integral to everyday life and business operations – recognising and applying this is important – the chances are, you're already addressing the clause



Risk based thinking

- Risk is not only negative – e.g. competition / expansion is a risk, but the associated uncertainties can produce positive effects and opportunities
- Risk based thinking allows you to consider the current situation and the possibilities for, and impact(s), of change
- Some risks will be acceptable – what are the advantages / disadvantages of taking action?
- Remember: it is ultimately the risks of, and associated with, achieving the objectives of the management system – conformity of products & services and achieving intended outcomes – that are to be considered
- Remember: your context; risk based thinking is not new; is something you do already; is continual



Risk based thinking

- Risk is all relative – the consequences can vary by organisation, product and service
- Keep it simple! What is uncertain? i.e. What are the risks? Understand, review, assess and act – remember PDCA...
- Involvement of people – whilst top management are required to be involved with and promote risk based thinking, those directly involved with the process may be best placed in identifying what uncertainties are involved
- What issues can affect your organisations values, performance, perception & knowledge and how can these issues affect your objectives?
- What actions are practical to take? Avoid? Elimination? Substitution? Manage the likelihood? Manage the Consequence? Accept / manage the risk? Or even...pursue the risk!



Risk based thinking

- Take action – but keep things in context & proportionate
- Preventive action has not necessarily gone – if you prefer it, use that term. Preventive action is the result of effective risk assessment
- Risk based thinking enables an organization to determine the factors that could cause its processes and its quality management system to deviate from the planned results, to put in place preventive controls to minimise negative effects and to make maximum use of opportunities
- There is no 'correct' methodology – make it work for, and keep it relevant to, you
- You may not be able to eliminate the uncertainties, but you can manage the effects



Risk based thinking

- What are the 'failure points' in the process
- Risk perception – broader resource input may highlight unnoticed risks
- One step at a time, risk ratings can come later
- Joined up thinking approach – context is very important
- Document if necessary...and if required by the standard
- Addressing risks may identify opportunities – a risk around suppliers may source a better alternative
- There is uncertainty in everything - identifying this, evaluating the effect and determining action is the fundamental concept of risk based thinking



Possible effects of uncertainty...

Customer requirements not met

Contamination / damage

Resource succession failure

Poor communication / language barriers

Supply chain issues

Insufficient product knowledge

Infrastructure issues – maintenance / suitability

Reputation damage

Process inefficiency

Incorrect material used

Financial instability / overspend

Resources - competence / training / awareness / availability / knowledge

Wrong product delivered / late delivery

Uncontrolled change

Accidents

Compliance breach



The possible benefits

- Improve the likelihood of achieving objectives
- Consistency of output
- Confidence in the system and its deliverables
- Can establish a proactive culture of improvement
- Can assist with audit, statutory & regulatory compliance
- Operational efficiency & governance
- Effectiveness of change management



The possible benefits – there's more...

- Enhance your knowledge base
- Stakeholder perception
- System & operational resilience
- Management system effectiveness
- Preventing negative effects
- Reliability of products and services



Risk clauses & PDCA

- **Clause 4** – Determination of the management system processes exposed to risk
- **Clause 5** – Top management **MUST** engage: Promotion and application of risk based thinking
- **Clause 6** – Identify risks and take action
- **Clause 7** – Determine and provide resources
- **Clause 8** – Manage operational processes in line with clause 6
- **Clause 9** – How effective are the actions from clause 6?
- **Clause 10** – Address undesired effects and update risks – improve!



Risk clauses & PDCA

- PLAN – Leadership commitment. identify, assess & plan actions to address risks
- DO – Implement & communicate the mitigation plan
- CHECK – monitor the implementation phase
- ACT – Implement any changes to your risks & system



Risk based thinking – management programme

- Identify
- Analyse
- Treat
- Monitor
- Control



Possible methodologies

- SWOT
- PESTLE
- FMEA
- ISO 31000
- Cause & effect
- Brainstorming
- Interview
- Root cause analysis



Risk and leadership

- *You can't control people through policies, procedures and policing. You can only do it through a strong risk management culture and absolute integrity in all leaders*
- *Ask the right questions – challenge underlying assumptions and engage*
- *Consult with a mix of people – perspective, background, knowledge – across industry and sector*
- *Encourage critical testing of ideas / assumptions*
- *In summary, policies and procedures for predicting, evaluating and managing risk are important. But if leaders don't ask the right questions, if they don't seek out a diversity of opinions and perspectives, and if they don't engage and promote the principles of risk based thinking, these rules won't make any difference. And when that happens, the blame for the damaging consequences rests solely with leadership.*



Change and risk

- When you have your risk management system in place you should keep this under constant review, as things change you should update your risk system and one of the key areas this should be done is within the 'Planning of Changes' clause.
- Something as simple as changing the organisation's structure could have huge impacts on the management system and the risks should be identified and considered. Let's say you wish to remove a position within the structure and combine two roles into one. What were all of the roles each person was performing, not just the documented tasks but the undocumented also? Can one person do all of the tasks? Is there a risk of some tasks not being performed? There are many things to consider when making changes and these could impact your risk process.



Supply chain risk management (SCRM)

- The risks surrounding suppliers can include the risk of counterfeit parts, escape prevention, parts obsolescence, raw material testing, product safety, change notifications, part qualifications, sub-tier suppliers. The list goes on.
- The standard is not necessarily asking you to perform a risk assessment on each supplier, but more look from a category or type perspective and what problems can arise. If you look at special process suppliers for example, fundamentally the biggest risk is that they do not perform the special process as per the requirements. So what mitigations can you put in place for this?



Some examples...

- Suppliers going out of business – have alternatives been considered?
- People not understanding roles / responsibilities – how robust is your induction / training process?
- Inadequate infrastructure – consider maintenance, instruction, efficiency
- Poor communication – is there a lack of it or is it ineffective?
- Documentation – is it available? Up to date? Fit for use?
- External influences – how can they impact you and how can that be managed?



Put very simply...

What is uncertain around what you are trying to achieve, what can it affect & how, how can you manage it?



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Q&A

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