Risk Management in Inmetro

Donald Macrae
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Background

Inmetro is Brazil’s technical regulator, based in Rio. They were interested in applying the GRM risk model to their operations.
Overall Evaluation

- Overall, the model was a success. It is consistent with ISO 31000 but adds more at the first and last stages, both of which were of benefit.

- The model is designed for regulatory systems so this was also an opportunity to see how well suited it is to the particular concerns of a regulator, especially a technical regulator.

- In addition to using the model to make specific decisions, there was also learning about applying the model to a whole organisation.
The ISO 31000 Model

It starts by “establishing the context”, followed by Assessment then Treatment, with both Communication and Monitoring occurring all the time.
The UNECE GRM Reference Model

- Designed for regulatory frameworks.
- It adds:
  - Asset management
  - Crisis management
Focus on Values

• The additional stage at the start focuses on “assets” or perhaps better described as “values”. ISO 31000’s first principle is that risk management protects value.

• Identifying the key risks is fundamental to a successful system and the place to start is with what the organisation values – and therefore looking at what threatens what is valued.

• The exercise in Inmetro kept coming back to the importance of the organisation’s objectives.
Strategic Map

No. 9 is “Implement a programme of risk management”.

It is underpinned by #1 and it underpins #11 and #12.
“Hazard” and “Risk”

• A simple improvement in the GRM model is to clarify at the start the difference between “hazard” and “risk”. This was a key problem to be overcome.

• It is easily explained – the hazard is the danger that you want to avoid and the risk is the probability that it will happen. But until it was explained, it caused a lot of confusion.
Crisis Management and Contingency Planning

• This is another feature of the GRM model over the ISO 31000 model.

• Trying to change the future through risk avoidance or risk mitigation may be a waste of resources, rather than accepting the risk and being prepared if it materialises. This is a very different approach to risk management which has been under-valued.

• Inmetro found it a significant benefit of the GRM approach.
What we learned from Inmetro

• First, very useful practical application of the additional features of the GRM model.

• But also issues about the operation of a technical regulator:
  – Their main concerns as regulators
  – Managing risk with partners in operations
  – Developing risk criteria
The fundamental question

• For a technical regulator like Inmetro, the fundamental regulatory question is what products need to be regulated. Everything flows from that.

• They face many pressures from political colleagues and from business but the decision should be risk-based.

• In applying risk analysis/assessment to this fundamental question, again the organisation’s objectives should determine the priorities – the values to be protected.
Risk Transfer / Risk Sharing

• This was another major area of discussion. It is not special to the GRM model but it is special to regulators.

• Where it emerged most strongly was in identifying risks in the delivery chain – working with partners. Inmetro could do its bit but the regulatory objectives would not be met without other parties also delivering.
Risk Criteria

• Risk criteria emerged as the heart of the exercise. Assessment can only be made on the basis of criteria:

  – These criteria must be shared across the organisation and not different in different parts, which is an important reason for applying risk management at organisational level

  – These criteria need to be approved by the organisation rather than reflect individual preferences or values

  – These criteria must reflect the organisation’s values and objectives: but this is in fact an important way of making these objectives work and can drive performance in the organisation
Next Steps

• The model stood up well to practical application within a regulatory body.

• It would also be helpful to test the model again with other regulatory bodies.

• There is value in the continued operation of the GRM Group in developing the model.
Thank you for listening

Donald Macrae

donald@dmacrae.co.uk