

ORGANISATIONAL MATURITY IN BUSINESS RISK MANAGEMENT

The IACCM
Business Risk Management
Maturity Model
(BRM3)

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1.0 Introduction

1.1 General

The IACCM Risk Management working group has attempted to address the question of how an organisation could evaluate, in a quantifiable fashion, its level of maturity in the area of business risk management.

This document is aimed at providing answers to questions like:

- How can I assess whether my organisation's approach to risk management is adequate?
- How can I compare my organisation's approach with best practice or against our competitors?
- Is there an accepted benchmark for organisational risk management?

1.2 Process the Group Utilised

In meetings between May-October 2002, the IACCM Business Risk Management Working Group defined four levels of organisational business risk management maturity (Novice, Competent, Proficient, Expert) against four key attributes (Culture, Process, Experience, Application). Each attribute has been further defined using several diagnostic characteristics, with each characteristic described for each of the four increasing levels of maturity.

The Group has established by reference to steps 1 to 4 as set out in 1.3 below, a model that provides a sound basis for individual companies to begin their evaluation cycle.

At some point in the future the Group may establish steps 5 to 12 as set out in 1.3 below, depending upon the sponsorship and direction received both from the Association and the companies represented by the members of the working party.

1.3 Introduction to the Whole Model

To be able to implement a model which allows a company to address the whole “evaluate, change, review” assessment cycle, the company should address all 12 steps in the cycle identified below.

1. Agree maturity model structure (levels and attributes)
2. Describe each maturity level in a summary “vision statement”
3. Identify a set of characteristics which comprise each attribute
4. Define each characteristic for each maturity level
5. Determine how to measure each characteristic
6. Create diagnostic tools to measure characteristics
7. Create analysis tool to assist in interpretation of data
8. Identify barriers to progressing between maturity levels (1-2, 2-3, 3-4, staying at 4)
9. Identify enablers to overcome barriers
10. Create generic template “development plans” for moving between maturity levels
11. Perform pilot applications of the model, reviewing and modifying if necessary following pilot
12. Publish

2.0 The Risk Management Working Party

2.1 Members of the Group

Linda Duodu	-	Siemens Business Services Limited
Rosemary Gott	-	NNC Limited
Graham Jackson	-	Best Practice Partnership Limited
Steve Minto	-	RWE NUKEM Limited
John Pedretti	-	Logica UK Limited
Phil Phillips	-	Hewlett Packard
Greg Russell	-	Blake Newport Associates
Dave Scarbrough	-	Fujitsu Services
Rachel Wilcock	-	Energis Communications Limited

The Group would like to give special thanks to Dr David Hillson of Project Management Professional Solutions Ltd. David participated throughout this project and provided a framework for the Group to utilise in this work.

3.0 How to Use the Model

The model as it applies to Business Risk Management is shown as a High Level Organisational Maturity Model in Section 4.0. It identifies four levels of organisational competence in the area of business risk management:

- Novice
- Competent
- Proficient
- Expert

and defines this competence in terms of the organisation's approach against four attributes:

- Culture
- Process
- Experience
- Application

Thus, it can be seen that for an organisation at the Novice, or naïve, stage the attributes are typically all at the lowest level. The culture is unaware of the need for formal management of risk and it therefore follows that there are no processes in place to deal with it, the organisation has no experience in managing risk, and there is no process to be applied.

At the next level, Competent, the organisation will have recognised the requirement for risk management, and the evidence of this recognition is shown in the organisation's culture, the existence of a process, its application and the accumulation of experience. Most organisations will aspire to and be satisfied with reaching Level 3 – Proficient – where management of risk is routine and consistent across all projects. However, the model identifies a further, Expert level of maturity where a risk-aware culture drives the organisation into proactive risk management, seeking to gain the full advantages of employing best practice processes.

Using this basic template, the Working Party then developed a full Detailed Level Questionnaire in Section 5.0. This can be used by organisations not only as a tool to identify their current level of maturity against a number of criteria, but also to set realistic targets for improvement, and measure progress towards achieving them.

The IACCM Detailed Level Questionnaire is provided as a set of tables with each row containing one characteristic within an attribute. The descriptions of each characteristic in the table should be considered in turn, and the appropriate maturity level selected, scoring 1, 2, 3 or 4 for that characteristic. The characteristic scores for each attribute are then totalled, and the average attribute score is calculated. The four attribute scores are then averaged to give an overall level score.

Calculated attribute and level scores will usually not be whole integers (i.e. precisely 1, 2, 3 or 4), as organisations will probably lie between the levels of the maturity model. As a result, these scores are usually presented to one decimal place. For example, Level 2.3 represents an organisation whose maturity is generally Competent but which is progressing towards Proficient in some areas.

It is also to be expected that characteristic and attribute scores will vary, reflecting strengths and weaknesses in the business risk management maturity of the organisation. For example, the organisation scoring Level 2.3 within the overall framework might have strong Process and Experience (each scoring 2.8 say), but weaknesses in Culture (scoring 1.9) might lead to inadequate Application (with a score of 1.7).

This allows a detailed diagnosis of the current maturity of business risk management, so that a tailored improvement plan can be produced, building on specific strengths and addressing particular weaknesses.

4.0 High Level Organisational Maturity Characteristics

Level of Maturity				
Attribute:	Novice	Competent	Proficient	Expert
CULTURE	Risk averse Lacking awareness / understanding Lacking strategy Lacking commitment	Patchy, inconsistent Some understanding / awareness Cautious approach, reactive	Prepared to take appropriate risks Good understanding of benefits across most of organisation Strategy mapped into process implementation	Proactive Intuitive understanding Belief, full commitment to be the best
PROCESS	Where present tend to be inefficient informal, ad-hoc	Inconsistent No learning from experience Standard approach / generic.	Consistent approach but scalable Tailored to specific needs	Adaptive Proactively Developed Fit for purpose Best of Breed
EXPERIENCE	None; nothing relevant	Basic competence	Proficient Formal qualifications	Extensive experience Leading qualifications Externally recognised high competence
APPLICATION	Not Used	Inconsistent – major projects only Process driven Inadequately resourced	Consistently applied Adequately resourced	Proactively resourced Across entire business Flexible Measured for improvement

5.0 Detailed Level Questionnaire

		A	B	C	D	
		Level of Maturity				Score
Attribute		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
CULTURE		Risk averse Lacking awareness / understanding Lacking strategy Lacking commitment	Patchy, inconsistent Some understanding / awareness Cautious approach, reactive	Prepared to take appropriate risks Good understanding of benefits across most of organisation Strategy mapped into process implementation	Proactive Intuitive understanding Belief, full commitment to be the best	
1.1.	Senior Management Attitude to Risk Management Process	Unsupportive or hostile	Passive support	Promote and support concept	Actively champion with understanding	
1.2.	Organisational Commitments to Policy, Process and People	No commitment	Different groups do different things. Response uncoordinated, no cohesion between groups	Generally consistent across all organisation (some deviation)	Consistent across all organisation with process in place for continual improvement	
1.3.	Belief in Value of Risk Management	Perception is that risk management is a distraction	Perceived as having limited value by entire organisation	Belief that risk management can help and add value	Belief can improve business performance and include in business targets	
1.4.	Goal Congruence and Attitude Alignment	Negative alignment	Neutral alignment with persuasion towards goal congruence	Individual's objectives match company	Striving to make continuous improvements, active alignment to create synergy	
1.5.	Approach to Risk Sharing (external)	No sharing at all. Customer pushes all risk to prime / subs	Reasonable risk allocation but poor reward structure	Open risk / reward relationship (customer / prime / subcontractors)	Help other parties manage their risks and share / amend rewards	
1.6.	Approach to Risk Sharing (internal)	No sharing at all	Discussions documented occasionally	Open communications between departments	Proactively helps other parties manage their risk and share / amend rewards	

CULTURE		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
1.7.	Risk Appetite	Either risk averse or takes risk without knowledge / understanding of risks involved	Some understanding and awareness of need to take risks	Understands wants manages and takes risks appropriate to the company	Understands the need for and actively manages a portfolio of risks	
1.8.	Risk Response Strategies (ways of avoiding or reducing risk) Turndown, Transfer, Treat, Tolerate	Accepts risks without strategy or turndown, no knowledge of available options or decision taken on inappropriate information	Tendency to choose standard response without due consideration of all possible options	Considers every risk and chooses an appropriate response applying considered strategies	Highly developed set and range of strategies applied appropriately. Considers risks on their merits and chooses / makes most appropriate response	
1.9.	Risk Awareness	No shared criteria	Commonality in discrete groups. Risk defining terms are used consistently across company. Most employees are aware of risk pertaining to their roles	Risk glossary exists defining terms which are used consistently across company. All employees aware of risk pertaining to their role.	All employees are aware of impact of risks in context of company	
1.10.	Communication of Risk Strategy	Little or adhoc communication	Strategy communicated between departments occasionally, however information is not clear or concise	Strategy and process in place and communicated between individuals – projects – departments and organisation	Strategy and process in place and used between individuals – projects – departments – organisation. Feedback flowing up and down organisation	
	CULTURE					Total = x (Maximum = 40) Ave Score = x (Total divided by number of attributes)

Attribute		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
PROCESS		Where present tend to be inefficient informal, ad-hoc	Inconsistent No learning from experience Standard approach / generic	Consistent approach but scalable Tailored to specific needs	Adaptive Proactively Developed Fit for purpose Best of Breed	
2.1.	Risk Response Strategy	No strategy	Strategy is inconsistently applied	Strategy is consistently applied	Strategy proactively modified to reflect changes in environment	
2.2.	Formality	No formality	Adhoc and inconsistent	Well structured documented and consistently implemented	Right level of formality for the type of risk. Users can proactively modify and formalise the existing processes to suit the situation	
2.3.	Effectiveness	Not effective	Works in specific areas (partially effective)	Works consistently at / for all levels in the organisation	Adapts pro actively to internal and external changes	
2.4.	Durability	Breaks / fails often	Process is tried and tested and based on past / historical business	Process is relevant to current business needs	Relevant, evolves to meet changing needs of business maturity	
2.5.	Scope	Little or nothing available	Available in a few areas	Common across the company	Fit for purpose by business transaction and modified to meet business needs	
2.6.	Knowledge Management	Poor, either information is frequently lost and tools available are inadequate or non existent	Tools available used on adhoc basis, consequently information is captured and applied inconsistently	System is maintained, populated and used, information is captured and used to modify working practices	System is comprehensive and available, includes external data, knowledge is captured, discussed and communicated as part of the organisation's culture	

PROCESS		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
2.7.	Integration with Other Business Processes	None	Insular (Functionally orientated)	Part of the business process (cross functional)	Across total supply chain (supplier/ prime / customer)	
2.8.	Scalability	Nothing to scale	Fixed scale	Scalable in few stepped increments by division / unit. Small number of fixed options (small / medium / large)	Fully scalable and managed with flexible approach to meet all business requirements	
	PROCESS					Total = x (Maximum = 32) Ave Score = x (Total divided by number of attributes)

Attribute		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
EXPERIENCE		None; nothing relevant	Basic competence	Proficient Formal qualifications	Extensive experience Leading qualifications Externally recognised high competence	
3.1.	Access to Qualified Staff in Organisation	No access to people with relevant risk management qualifications	Access to people with current qualification which includes a risk management module	Access to people with current risk management qualifications	Fellow of Institute of Risk Management or MSc in Risk Management	
3.2.	Range and Depth of Experience of People in Risk Management	None relevant to risk management	Worked in risk management capacity on a range of projects but less than 5 years experience	Worked on several similar projects for more than 5 years	Worked on / led risk management aspect on extensive range of projects	
3.3.	Attitude Alignment of Risk Management Team to Organisation	Negative alignment	Neutral alignment	Positive alignment	Active alignment	
3.4.	Skills and Capabilities of People Responsible for Risk Management	None relevant to risk management	Basic skills able to participate in risk management issues	Can lead and is able to take initiative	Trains / mentors and able to tackle unexpected issues	
3.5.	Corporate Resource Allocation	Resource is allocated as available no planning / forecasting involved	Limited resources poorly publicised Roles covered but not all by appropriate resources	Comprehensive, relevant and available	Active dissemination of best practices Able to apply best resources at any time	
3.6.	Training / Personal Development	None	Minimum training	Formal organised and updated programme	Incentivised training plan and training actively encouraged	
EXPERIENCE					Total = x (Maximum = 24)	
					Ave Score = x (Total divided by number of attributes)	

Attribute		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
APPLICATION		Not Used	Inconsistent – major projects only Process driven Inadequately resourced	Consistently applied Adequately resourced	Proactively resourced Across entire business Flexible Measured for improvement	
4.1.	Adequacy of Risk Management Resources in relation to an activity or event	None	Limited	Adequate	Sufficient and proactive	
4.2.	Use of Policies / Standards	Not used	Not consistently used or fully adhered to	Used and adhered to	Used appropriately and adhered to	
4.3.	Use of Appropriate Processes / Systems for Project	None or inappropriate	Not consistently used or fully adhered. Roles are defined and allocated	Used and adhered to Organisation is adequately structured and regularly reviewed and understood	Used appropriately and adhered to. Organisation is flexible, current and clearly understood	
4.4.	Effective Implementation of Response to Risk	No responses actioned	Selected responses not effectively employed	Selected responses are effectively employed for all identified risks	Selected responses are effectively employed for risks including emergent risks. Responses can cope with anything. Ability to handle emergent risks	
4.5.	Quality of Reporting to Stakeholders	None	Routine non filtered risk reporting	Stakeholders aware of relevant risks	Interactive risk reporting	
4.6.	Feed forward to future Projects	None	Routine non filtered analysis	Managed and lessons learned communicated	Strategic review (including external data) and lessons learned implemented	
4.7.	Use of Metrics / Performance Management	None or detrimental	Generic measures	Project specific to determine success	Incentivised to encourage continued improvement	
APPLICATION					Total = x (Maximum = 28) Ave Score = x (Total divided by number of attributes)	

6.0 Summary Scores

	Total Score Available	Actual Score	Average Score
CULTURE	40		
PROCESS	32		
EXPERIENCE	24		
APPLICATION	28		
OVERALL SCORE FOR THE ORGANISATION:			

7.0 Business Unit Sizing Questionnaire

In order to allow us to undertake some analysis we would appreciate knowing more about the operating element of your company for which you will complete the business risk maturity model. This could be your entire company or, preferably, the individual operating unit which is reasonably self contained and operates as a business entity.

Turnover?	<£20m <€30m <\$	£20m- £200m €30m-€300m \$	£200m - £1bn €300m -€1.5bn \$	£1bn+ €1.5bn+ \$
Number of employees?	< 50	50 – 249	250 – 999	1000+
Size of typical contract?	< £1m <€1.5m <\$	£1m – £10m €1.5m - €15m \$	£10m – £50m €15m - €75m \$	£50m+ €75m+ \$
Primary supply chain role?	Client	Prime contractor	Sub contractor	Supplier
How long has the business unit been trading?	< 1 year	1 – 5 years	5 – 10 years	> 10 years
Perceived Business Risk Management Maturity level, prior to completion of model	Novice	Competent	Proficient	Expert
Market segment	Construction Defence Financial	Government IT Manufacturing	Oil/Gas Other Pharmaceutical	Professional services Retail Utilities