Collaborative Risk Management

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ABSTRACT

Risk is the probability of an unwanted activity occurring causing loss or harm to the organization. Managing risk includes identification, assessment, impact evaluation, acceptance and mitigation. In today’s well distributed and diversified organizations, risks exist in virtually every part or function of the organization. Increasingly it is being recognized that one central risk management team may not be in the best of position to identify, assess and manage all the risks across the organization.

This paper proposes the idea of Collaborative Risk Management (CRM) where in the stakeholders across the organization, collaborate seamlessly to determine and manage risks on an ongoing manner. CRM provides collaborative risk awareness and responsibility throughout all levels of an organization, optimizes the use of enterprise resources, and ultimately reduces the overall risk exposure levels of an organization. In this paper, the concept is explored for Collaborative Risk Management for operational risks in a product development and management scenario. There are some clear advantages of CRM like shared ownership, decentralized implementation, optimal resource utilization, leveraging of users understanding of the domain and functional risk areas. Collaborative Risk Management is explained here through the example of a product lifecycle. The CRM approach implies that risk management function is invoked in the entire lifecycle of the product. Within the Lifecycle is a series of discrete phases, each one separated by a checkpoint which is designed to keep the product / solution on track by ensuring that essential governance requirements have been met. In each of these phases the CRM risk function necessarily gets involved in assessing and addressing risks.

Given due management support and organizational structure, organizations can produce risk resistant products by seeing that all necessary stakeholders get involved in the collaborative risk management process through the life cycle of the product. Unlike earlier risk management efforts, in this approach, risks get identified way before the product’s launch through a collaborative effort. So, key risks get identified and addressed by the product / solution / infrastructure is ready for launch. No doubt some new risks might crop up once the product is deployed but still in this approach the management can be rest assured that risks have been looked at from the requisite diverse perspectives and that most key risks would have been addressed by the time the product comes up for a launch. Once deployed, with the collaborative involvement of functional teams from across the organization who are much closer to the field of action, a periodic review ensures that new / emerging risks are identified early enough to be addressed before they become disasters. CRM provides all the stakeholders the opportunity to see and think about the risk in their domain while also retaining the big picture. This drives consensus and builds a shared understanding of key risks in a holistic manner. Collaborative risk management stands a strong chance of succeeding in today’s distributed and diversified organizations providing rich dividends.

Keywords: Risk, Risk Analysis, Risk Management, Information Risk Management Collaborative Engineering, Collaborative Risk Management
1. BACKGROUND

Risk is the probability of an unwanted activity occurring causing loss or harm to the organization. Managing risk includes identification, assessment, impact evaluation, acceptance and mitigation. In today’s well distributed and diversified organizations, risks exist in virtually every part or function of the organization. Increasingly it is being recognized that one central risk management team may not be in the best of position to identify, assess and manage all the risks across the organization.

Generally one central risk management team is responsible for identification, assessment and management of all the risks across the organization. This paper suggests a Collaborative Risk Management (CRM) approach where in the stakeholders across the organization, collaborate seamlessly to determine and manage risks, on an ongoing manner. CRM team gets engaged throughout the life cycle of a product rather than getting involved only when the product goes live or is in production.

CRM provides collaborative risk awareness and responsibility throughout all levels of an organization, optimizes the use of enterprise resources, and ultimately reduces the overall risk exposure levels of an organization. Use of CRM in an ongoing manner for managing risks to products or solutions throughout their lifecycle, from initial inception to ultimate closure adds considerable value to the longevity of the product / solution and the business value it generates. CRM typically involves all areas of the organization involved in the delivery of products or solutions. CRM helps in defining Engagement and Accountability. CRM is designed to provide a simple engagement process to ensure that key groups around the business are engaged with in the right way and at the right time to identify and manage risk.

The CRM team is accountable to the Business Owner for identifying where a particular approach leads to business risk; to recommend alternatives where appropriate; and to articulate risks to business owners. The CRM team should be actively involved with the different departments involved for tracking and managing the progress of the product / solution.

In addition to highlighting business risk, the primary functions of CRM are to promote adherence to standards and best practices (through consultancy and review), to ensure a level of confidence in the stated technical approach such that the time and costs estimates presented are not undermined by radical changes in direction during the project delivery phase and to ensure sufficient information is available to allow business execution teams to complete their planning exercise well in time considering dates and costs.

Figure 1. Illustrative model - Collaborative Risk Management

2. Collaborative Risk Management

Collaborative Risk Management is explained here through the example of a product / solution lifecycle. The CRM approach implies that risk management function is invoked in the entire lifecycle of the product as represented in the diagram below. Within the Lifecycle is a series of discrete phases, each one separated by a checkpoint which is designed to keep the product / solution on track by ensuring that essential governance requirements have been met. In each of these phases the CRM risk function necessarily gets involved in assessing and addressing risks.
2.1. Idea Generation phase:
This is not a formal phase but rather represents any period of time in which ideas are generated, by anyone in the organization, and documented in a Business Proposal ready for assessment. It is a funnel of ideas to the Business Divisions for review. Ideas are filtered and selected based on strategic alignment, business value and executive risk. CRM team works with the Business planning teams that conduct SWOT (Strengths, Weaknesses, and Opportunities & Threats) analysis for the new project considering strategic alignment and business value of the idea. SWOT analysis does address objective, market opportunity, customers’ needs, opportunity costs etc. Key areas addressed under the weaknesses and threats sections are the various risks posed to the product / solution idea.

At the end of this phase the proposal is reviewed at the Idea Approval Checkpoint. The Idea Approval Checkpoint acts as a check post which allows only those proposals to go further which have been passed to pursue. The result of the Idea Approval Checkpoint will be pass/fail. Risks to the project / product or solution that get identified and evaluated would be essential components in the go-no-go decision making process. If the Business Proposal is passed, a Collaborative management team for the project would be created including risk management responsibilities. At Idea Approval checkpoint
new ideas which get selected based on SWOT analysis go to Phase II.

2.2. The Business Planning phase is the second phase of the Product / Solution Lifecycle. Once a Business Proposal is approved and has passed through the Idea Approval Checkpoint (at the end of the Idea Generation phase) a Product / Solution Owner (PO) is assigned to build the product / solution plan, describing it in more detail.

The output of the Business Planning phase is a viable Product / Solution Plan, and it is reviewed and accepted or rejected at the Project Initiation Checkpoint. The purpose of the Project Initiation checkpoint is to confirm that the business proposal is still viable, it supports organizational strategy and that risks to the product / solution have been factored in.

During this phase the role of the CRM team is to understand the product / solution landscape in the context of the organization’s environment and determine risks the product / solution faces so that these can be factored in the plan.

2.3. Definition Phase - During the Definition phase the deliverables are defined in sufficient detail to allow development to proceed. Typically a project plan is produced that lays out the overall schedule and critical path. While doing so, risks are captured and analyzed and a level of contingency included in the overall schedule appropriate to the aggregate risk. In this phase the business owners and CRM team work together to address compliance with commercial, technical and services governance policies. The business teams supported by CRM team prepare sufficiently to be able to commit to delivery dates, deliverables and cost. During the definition phase, the CRM Team is responsible for the go/no-go decision of the ‘Project Architecture’. In a consultative mode, CRM team collaborates with all other functional teams to ensure that all operational risks are addressed for example: Security requirements are spelt out along with the other design considerations; apprising Architecture Team on the architecture related risks; addressing key risks in managing Business Continuity, Disaster Recovery, Data Architecture, Database and Storage, Data Center Management, addressing Export Requirements, various Operational requirements, Technology Standards, Performance Engineering Resiliency etc.

During the Definition phase the product / solution plan is enhanced with details from the project plan that defines how long, how much and what resources are required to deliver the product / solution.

The Commitment Checkpoint reviews the work during the Definition phase to see whether the product / solution is ready to move into the delivery phase with all risks identified in consultation with CRM team being looked into satisfactorily. Additionally it confirms that the business proposal remains viable.

2.4. Delivery Phase - During the Delivery phase of the product / solution lifecycle, the main deliverables are produced and quality is agreed in preparation for handover of the product / solution to the operations teams. The end of the Delivery phase is marked by a Fitness for Launch Checkpoint. This is the checkpoint when the project transitions from delivery into deployment.

During the delivery phase, CRM ensures that risks in all key deliverables are addressed prior to launch. These deliverables may include different elements like product, infrastructure, content, administration, systems and processes. The CRM team works to ensure that risks in each of the components is addressed e.g. it could mean addressing technical risks in the product and infrastructure, process risks and people related risks etc. CRM team for example could also be responsible for reviewing deviations from the technical approach since the implementation architecture was designed / baselined. Any outstanding deficiencies are captured in CRM Scorecard.

CRM team will essentially highlight any new business risks caused by the approach being pursued to the attention of the business, suggest alternative approaches where appropriate, review the outcome of testing to validate that the selected approach has met specified criteria and get a sense of what are the residual risks in the product / solution. A Fitness for Launch Risk Review takes place in a collaborative setting, the output of which is recorded in CRM Scorecard. Scorecard indicates the concerns related to unresolved technology standards misalignment or any other significant levels of risk.

The purpose of the Fitness for Launch checkpoint is to confirm that the proposition is functional, meets performance requirements, is scalable, stable and ready to be presented to clients and that all the risks represented by CRM Scorecard have been addressed.

2.5. Deployment Phase - During this phase the product / solution is handed over from the groups
who have specified, developed and tested it to those groups who have to sell it, administer it, support it, operate it and maintain it.

At the stage of Ready for Revenue Generation Checkpoint the CRM team confirms that the product can be sold, administered and supported effectively in the target geographies without putting the organization at risk. It confirms that the product / solution meets its agreed performance targets in a production environment, is free of any significant known risks and is ready to be supported on general release. To formally move from project status to ‘business as usual’ status. CRM team has to ensure that all the known risks that the product / solution faces are addressed.

2.6. In the Monitoring Phase, CRM team is responsible to review risks of the product / solution in an ongoing manner. Typically at a defined periodicity the CRM team works with the operational teams in conduct of a review of dependencies, environmental changes and their impact on the risk posture, new releases and the status of risks in various components impacted through the new release.

2.7. During the Obsolescence phase products / solutions that are no longer sustainable or viable are retired or replaced with products / solutions that better support organizational strategy. Once the migration or closure is complete, all supporting infrastructure is removed and staff supporting the proposition reassigned to other activities. CRM team has to ensure that all the risks pertaining to end of life have been addressed. CRM looks into aspects like media disposal during re-allocation of assets, donation or destruction of assets to ensure that no confidential information goes out of the organization.

The purpose of the Closure checkpoint is to formally confirm that the products / solution has achieved end of life. To confirm that all product vestiges have been removed and that no corporate resources remain allocated to its support, maintenance or further enhancement. The CRM team ensures that appropriate End of Life risks have been addressed.

3. **Advantages of the CRM approach include**

3.1. Shared ownership – Unlike regular risk management approaches in CRM a much larger section of the functional teams are involved in identifying and managing risks in a collaborative manner. It leads to additional risks being unearthed and greater ownership among teams to understand and address risks.

3.2. Decentralized implementation – The risk assessment and management function does not happen in a centralized ivory tower. Rather it works across the organization in a decentralized manner wherein functional teams across the key functions of the organization implement it in a decentralized manner in collaboration with the CRM team.

3.3. Optimal resource utilization – Since CRM team works with functional teams from the beginning; risks get identified and addressed before they actually emerge; Hence resources get utilized in an optimum manner.

3.4. Leveraging of users’ understanding of the domain - Functional teams being aware of the intricacies of their domain are best placed to identify risks and thereby take lesser time in bringing out the risks and helping collaborative risk team in addressing them.

3.5. Overall it results in more comprehensive risk coverage at much lower costs to the organization.

4. **CONCLUSION**

Risk is a vital function that needs to be addressed for any organization. Given due management support and organizational structure, organizations can produce risk resistant products / solutions by seeing that all necessary stakeholders get involved in a collaborative risk management process through the life cycle of the product / solution.

Unlike earlier risk management efforts, in this approach, risks get identified way before the product’s launch through a collaborative effort. In an illustrative example of product / solution development one can see the benefits of utilizing Collaborative Risk Management approach which ensures that risks are identified and addressed all through the life cycle right from Ideation phase, through to business planning phase, definition, delivery, deployment, monitoring and obsolescence phases. There are some clear advantages of CRM like shared ownership, decentralized implementation, optimal resource utilization, leveraging of users understanding of the domain and functional risk areas, there are few minor distinct challenges as well. Stakeholder commitment is extremely hard to come by, if it is not in their organizational line of duty to spend their man hours on operational risk. Hence, it should be part of an organizational requirement and must flow into goal sheets of relevant stakeholders from the top.

By following a CRM based approach, key risks get identified and addressed by the product / solution / infrastructure stakeholders well before it is ready for launch. No doubt some new risks might crop up once the
product is deployed but still in this approach the management can be rest assured that risks have been looked at from the requisite diverse perspectives and that most key risks would have been addressed by the time the product comes up for a launch. Once deployed, with the collaborative involvement of functional teams from across the organization who are much closer to the field of action, a periodic review ensures that new / emerging risks are identified early enough to be addressed before they become disasters.

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