

## Risk Policy Model – Q&A

### Q: What is a Risk Policy Model?

A: A 'Risk Policy Model' is a conceptual framework that describes how to link Policy, Governance and Management together for the purposes of identifying and managing risk. The policy determines the scope of the risks to be managed. ARPI has produced what is believed to be the first 'Risk Policy Model' in the world.

### Q: What are its Main Components?

A: The ARPI Risk Policy Model is based on three interlocking components operating in a world of networks: Risk Policy; Risk Governance; and Risk Management.

Managing risks strategically is a matter of Risk Policy. This is because policy is the highest level of purpose and protection from future failure is what the policy speaks to. Leadership establishes Risk Policy and uses policy to authorise, inform, drive and hold to account the processes of Risk Management and Risk Governance.

Risk Management is the manner by which risks are identified and assessed and brought under management. Risk management is also concerned with preparedness for and response when things go wrong. Risk management reports to Risk Governance. Risk management is dependent upon a rigorous policy approach and framework for risk identification and assessment.

Risk Governance is an assurance process that firstly operates within a network or organisation to ensure the adoption and implementation of the risk policy in an effective and compliant manner. Critical to risk governance is the proper allocation of responsibilities for identifying, assessing and managing risks and the holding to account of individuals and organisations.

Secondly, risk governance provides an independent review process that risk policy and risk management have operated as intended, as well as identifying opportunities for improvement.

### Q: Who prepared the Risk Policy Model and where may I find a copy?

A: The Australian Risk Policy Institute has been established to promote and encourage a greater focus on risk policy in leadership, decision-making and management across all sectors in Australia and indeed globally. ARPI's founding members include Tim Fischer AC, Admiral Chris Barrie AC (R'td) and Justice Neville Owen QC and comprises senior professionals from a wide range of professions across Australia and beyond. Admiral Chris Barrie is Patron.

The Australian Risk Policy Institute is being recognised as a world leader and through the release of the Risk Policy Model, a world innovator in risk policy.

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A copy of the Risk Policy Model can be found and downloaded at [www.arpi.org.au](http://www.arpi.org.au)

### **Q: Why do we need a new approach to risk?**

A: We need a new approach to risk because the challenges we face today have defied existing solutions and we need innovative ways of thinking how to solve them. The challenges arise because the ‘*systems and processes*’ we create in society and benefit from and indeed rely upon are vulnerable to failure. And, indeed some systems and processes have failed with severe consequences.

The Risk Policy Model is a new approach; it is an innovation in thinking about how to address the challenges we face. It moves risk thinking to a higher ‘policy’ level to better drive, inform and authorise ‘risk processes’ to identify, assess and manage risks.

### **Q. What is a ‘System ‘in this Risk Policy sense?’**

A. A system is a collaboration to achieve a purpose. The systems we are most familiar with and indeed depend upon are business, political, economic, social, financial, environmental, resource, safety, security, educational, communication and energy, to name but a few.

At a practical level, a system is a network of individuals, organisations and institutions operating together under a set of assumptions and rules; some of the rules are in the form of legislation and regulation.

### **Q: What kinds of risk are the focus of the Risk Policy Model?**

A: The risks we are talking about include risks to whole systems as well as individual risks. While risk may be managed at the individual organisation or institution level, risks are not well managed at the whole-of-system level. It is risk to whole systems that is the primary focus of the Risk Policy Model but the Model has innovative application to all risks.

### **Q. Why are systems vulnerable?**

A. Our systems are vulnerable because of the interconnectedness and interdependence of people, organisations and institutions and the planet’s natural systems. Ownership and responsibility have shifted away from individual governments and businesses to global networks comprising a number of governments and multi-national business – hence risks must be identified differently, assessed differently and managed differently. Some such risks may be unmanageable – these are becoming known as being in the family of systemic risks.

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A failure in one part of the system can affect and almost always does affect the whole system and those connected to it. It is difficult, if not impossible, in many instances to quarantine the damage associated with the failure of a system.

### **Q. What threatens our systems?**

A. Our systems are threatened first and foremost by the actions of individuals and organisations. Nature also plays a part in threatening our systems.

Systems are frequently threatened by failures in the identification, assessment and management of risks at the organisational or institutional level – because existing processes have been found to be inadequate.

We equally have rapidly advancing scientific knowledge and technological innovation. There is great promise in these advances but we don't have the means to properly understand and manage the benefits and associated risks.

At the broadest level, human beings have taken hold not only of the economy and of population dynamics, but most of the planet's systems. Regrettably at times, the world seems to be acting without regard to long term consequences.

A new approach is required to enable society to handle today's challenges.

### **Q: What is the key to this new approach?**

A: People and 'risk policy' are the keys to this new approach. People are central for two reasons. First, the knowledge of risk that we seek resides with people; it is human knowledge.

Second, what is required to manage risks in systems is effective, high quality decision-making from top leaders in government and in significant organisations, internationally and within our countries. Personal relationships that develop among the decision-makers who lead these organisations will be critically important.

Risk policy is the intellectual framework to connect people and their knowledge with risk management processes.

### **Q: What is required of leaders?**

A: Effective, high-quality strategic and change leadership are critical to the success in managing risks to systems. A new paradigm for risk management has to be taken on board by leaders.

This new paradigm for leadership has four components:

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- Leaders have to shift their strategic thinking from organisation-centric to **network-centric** thinking and acting. This is because our systems are in fact networks of individuals, organisations, and institutions. It is this interconnectedness and interdependence that magnifies the impact when whole systems fail.
- Leaders also have to respond to a rapidly changing and increasingly disorderly world. In this reality, new approaches are needed to identify and assess risks including systemic risks; the proper starting point from today and into the future is to think about ‘**vulnerability**’. Many of the serious threats we face today seem to be of a nature and kind not seen before.
- Leaders need to embrace ‘**time**’ in their thinking and acting upon risk. The choices we have and the actions we take are directly related to the time provided by early warning and a clear understanding at what point in time vulnerability arises and possible consequential risk applies.
- Finally, and equally importantly, leaders must have a pre-occupation with ‘**outcomes**’. Our most important outcome is protecting critical systems from future failures; failures which can potentially cause catastrophic damage to any other systems connected to them.

### **Q: How do I find and/or contact the Australian Risk Policy Institute?**

A: The website is located at [www.arpi.org.au](http://www.arpi.org.au) – email at [inquiry@arpi.org.au](mailto:inquiry@arpi.org.au).

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