

Risk Management

A Look Inside the ANSI/ASSE Z690.2-2011 Standard

Every organization faces risk. OSH professionals provide the greatest value when they help guide their organizations' efforts to identify, assess and control risks that endanger workers. Furthermore, organizations that effectively manage risk reap many benefits. For example, they:

- gain better insight on opportunities and threats;
- ensure compliance with legal and regulatory requirements and international norms;
- improve stakeholder confidence and trust;
- establish a reliable basis for decision making and planning;
- effectively allocate and use resources for risk treatment;
- improve incident management;
- enhance organizational learning and boost organizational resilience.

One tool that can help OSH professionals address risk in their workplaces is ANSI/ASSE Z690.2-2011, Risk Management Principles and Guidelines, which is a national adoption of ISO 31000:2009. This article reviews two elements of the standard, how an organization establishes the context for risk management and defines risk criteria, which are covered in Section 5.3 of the standard.

Establishing Context

To establish context, an organization must articulate its objectives; define in detail the external and internal parameters to be considered; and set the scope and risk criteria for the process.

External Context

ANSI/ASSE Z690.2-2011 defines *external context* as the "external environment in which the organization seeks to achieve its objectives." According to the standard, external context includes:

- social, cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment;
- trends affecting the organization;
- relationships with, perceptions and values of external stakeholders.

Internal Context

Internal context is the next consideration. This encompasses the internal environment in which the organization seeks to achieve its objectives. "Internal context is anything within the organization that can influence the way in which an organization will manage risk," the standard states. "The risk management process should be aligned with the organization's culture, processes, structure and strategy." For optimal results, internal factors to consider include:

- governance, structure, roles and accountabilities;
- policies, objectives and strategies in place to achieve them;
- capabilities, expressed in terms of resources and knowledge (e.g., capital, time, people, processes, systems, technologies);

- the relationships with, and perceptions and values of, internal stakeholders;
- information systems, information flows and decision-making processes;
- organizational standards and guidelines;
- form and extent of contractual relationships.

Context of the Risk Management Process

With internal and external factors identified, the organization must establish the context of the risk management process itself. This entails establishing the strategies, scope and parameters of the activities to which the process will be applied.

Here is what the standard offers as a starting point for determining the context of the risk management process:

- Define the goals and objectives of the risk management activities.
- Define responsibilities for and within the process.
- Define the scope as well as the depth and breadth of the risk management activities to be performed, including specific inclusions and exclusions.
- Define the activity, process, function, project, product, service or asset in terms of time and location.
- Define the relationships between a project, process or activity and other projects, processes or activities of the organization.
- Determine risk assessment methodologies.
- Define the way performance and effectiveness is evaluated in the management of risk.
- Identify and specify decisions that must be made.
- Identify, scope or frame studies needed, their extent and objectives, and the resources required.

Defining Risk Criteria

According to Z690.2, the risk criteria selected should reflect an organization's values, objectives and resources. These criteria should be identified at the beginning of the risk management process and reviewed continually. In addition, these criteria should be consistent with the organization's risk management policy (addressed in Section 4.3.2 of the Z690.2 standard).

What factors should an organization consider when selecting risk criteria? The standard suggests the following:

- the nature and types of causes and consequences that can occur and how they will be measured;
- how likelihood will be defined;
- the time frame(s) of the likelihood and/or consequence(s);
- how the level of risk is to be determined;
- the views of stakeholders;
- the level at which risk becomes acceptable;
- whether combinations of multiple risks should be considered and, if so, how and which combinations should be considered.

OSH professionals can apply risk management practices to an entire organization, its specific functions, projects and activities. Learn more about ANSI/ASSE Z690.2-2011 at www.asse.org/standards.

