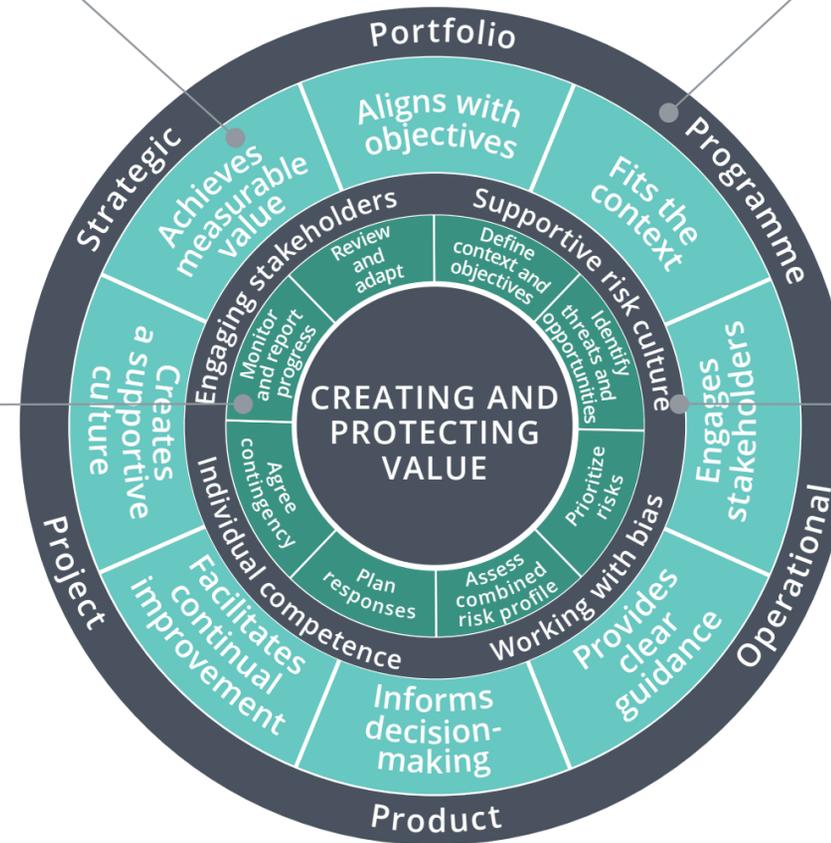# M_o_R®4

Management of Risk
Creating and Protecting Value

A framework for decision-makers to understand how uncertainty and risk might impact their objectives, and to use that framework to make proportionate plans in order to create and protect value.

Principles

The purpose of M_o_R having a principles-based framework is to be clear about the enablers of effective risk management that always apply, irrespective of the perspective and objectives at risk, and irrespective of the process that is being applied.

The M_o_R®4 principles are:
• Aligns with objectives
• Fits the context
• Engages stakeholders
• Provides clear guidance
• Informs decision-making
• Facilitates continual improvement
• Creates a supportive culture
• Achieves measurable value.

The first seven principles are enablers. The final principle is the result of implementing risk management well.

Perspectives

The objectives and decisions taken in each of the six perspectives will be different, and therefore so will be the value created and protected, and how this is measured. There are different practices and controls to be considered, depending on the perspective.

The key to being able to integrate risk management across the perspectives is the calibration of the scales used to determine the priority of risks. Risks can be assessed qualitatively or quantitatively. Multiple qualitative and quantitative techniques for risk assessment are detailed in the process chapters. Regardless of the other techniques chosen by an organization, prioritizing risks qualitatively is fundamental to integrating risk management across the perspectives.

• **Likelihood** The chance that the risk will occur.
• **Impact** The size of the effect on one or more objectives in the event of the risk occurring.
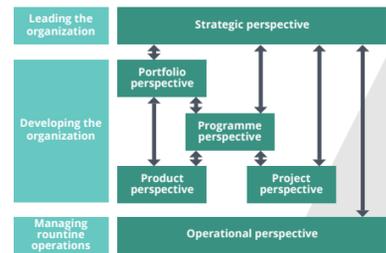
Process cycle

To create and protect organizational value through the use of risk management, it is necessary to focus on eight distinct processes, each of which has a specific objective.

All eight processes apply, irrespective of the perspective.

The eight processes below make up the M_o_R®4 process cycle:

• Define context and objectives
• Identify threats and opportunities
• Prioritize risks
• Assess combined risk profile
• Plan responses
• Agree contingency
• Monitor and report progress
• Review and adapt.

Many uncertainties exist, but uncertainties are risks only if they would impact objectives should they occur.

The objective of risk management is not to minimize all risk but to take considered risk to create and protect value.

It is impossible to identify, prioritize, and manage risk if objectives are not clearly understood. In most organizations a hierarchy of objectives exists across two or more of the perspectives (strategic, portfolio, programme, project, product, and operational).

Risks can be either negative threats to objectives (downside risks) that would destroy planned value if they occurred, or positive opportunities to objectives (upside risks) that would create additional value if they occurred.

People
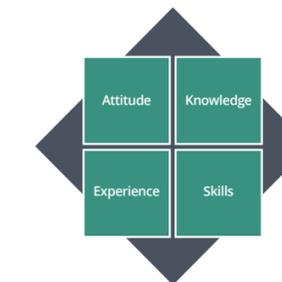
Engaging stakeholders
The techniques used to analyse stakeholders are the same for the purposes of risk management as they are for other areas of organizational activity. Engagement methods, however, are potentially different, including facilitation, which plays a critical role in risk management.

Working with bias
Bias influences individual and group perceptions of risk. To help combat decision bias, the following ideas are helpful:
• techniques to promote conscious awareness
• encouraging independent input of thought
• reframing situations
• the use of neutral facilitators.

Individual competence
Competence is built by:
• creating positive attitudes
• developing relevant knowledge
• acquiring appropriate skills
• gaining practical experience.

Supportive risk culture
A supportive risk culture is shaped through leadership (tone from the top), collaboration (with transparency and empowerment), support (for ongoing learning and development), and recognition (through systems that motivate the right behaviours).

Central wheel — CREATING AND PROTECTING VALUE, surrounded by perspectives (Portfolio, Programme, Operational, Product, Project, Strategic), principles (Aligns with objectives, Fits the context, Engages stakeholders, Provides clear guidance, Informs decision-making, Facilitates continual improvement, Creates a supportive culture, Achieves measurable value), and process cycle (Define context and objectives, Identify threats and opportunities, Prioritize risks, Assess combined risk profile, Plan responses, Agree contingency, Monitor and report progress, Review and adapt), with Supportive risk culture, Engaging stakeholders, Working with bias, Individual competence.

Perspectives diagram: Leading the organization — Strategic perspective; Developing the organization — Portfolio perspective, Programme perspective, Product perspective, Project perspective; Managing routine operations — Operational perspective.

People triangle: Collaboration, Leadership, Recognition, Support.

Competence diamond: Attitude, Knowledge, Experience, Skills.