

Responsible Risk-Taking

for Innovation and Results



Indian and Northern
Affairs Canada

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et du Nord Canada

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MESSAGE FROM THE DEPUTY MINISTERS

To thrive in life today – whether as individuals or as members of a productive organization – we must all innovate. It is how we meet the constant change and increasing complexity of our environment. It is how we make change work for us instead of against us. We may try something new at home that enriches our day-to-day life. Or we may contribute to developing new policy, or a new way of delivering a service, that significantly raises the benefits of our department's work with our partners. Innovation brings risk with it, since new ideas are by definition untried and unproven. While we embrace the opportunity of making a difference, we have to recognize that the possibility of error is built into even the most carefully considered innovation. To make change work for us and our partners, we need to learn how to balance the opportunity with the risk responsibly and productively. Managing the risk is not an option; how we manage the risk is.

Our work at DIAND is particularly challenging. We have a mandate that reaches into the daily lives of First Nations, Inuit and Northerners with an especially direct and immediate impact. We see the evidence, in very human terms, that many of the old ways of fulfilling our mandate no longer meet the needs of our partners. And so we have become leaders over the past decade in innovative policy-making and service delivery designed to meet current realities – innovation that is the basis for our commitments under *Gathering Strength*. Weighing the unavoidable risks we must accept against the fundamental values underlying our accountability to our partners and to Parliament is now part of doing our business.

We have learned a great deal already. But we need to make learning an integral part of our business – to become a learning organization, which our previous Clerk of the Privy Council, Jocelyne Bourgon, defined as one that “will make mistakes, but is able through self-correcting measures to avoid repeating them.” Risk-taking is one of the six competencies we have adopted as our Leadership Profile at DIAND, the focus of renewing our department with leadership and learning throughout the organization. This booklet, *Responsible Risk-Taking for Innovation and Results*, has been produced to give you context for managing risk

in your work, and to describe some strategies and tools for building that competency into your daily decision-making. It is designed to be inserted in your personal copy of the *Leadership and Learning Guide* binder that has been supplied to all employees.

As you look through this booklet, think of the range of decisions you have to take in the course of your work – from the quick and relatively simple choice of how to respond to a routine enquiry, through to the larger implications of advice you may be called on to offer your colleagues, managers or partners. Then consider how this information can help you to find the optimum balance of innovation and responsibility.

Shirley Serafini

Deputy Minister

Dennis Wallace

Associate Deputy Minister

WHAT IS RISK?

RISK =
 Uncertainty
 of a future
 outcome
 measured by
 likelihood
 and impact.
 Impacts can
 have negative
 or positive
 associations.

Most of us are faced with risky choices every day of our lives. We choose whether to drive, bicycle, walk or take the bus to work, and some elements of risk enter into that choice. Most of us buy insurance against the risks of damage to ourselves, our friends and family, and our property. We plan our personal finances in an attempt to offset the risk of poverty in the future. Once in the office, we have to decide how to set priorities among the tasks facing us to meet our deadlines, and then decide on the best approach to completing those tasks; those choices have their risks attached to them. We may be called on for advice to colleagues, managers or partners on how they should deal with choices or events that bring risk, and we will therefore be partly accountable for the results. Some risk may be avoided, but not all – and avoiding risk is also avoiding the opportunity to learn, to grow and produce better results.

Risk is the possibility that a future action or event will have a negative result. Risks vary in how likely that negative result is and how significant its impact will be.

Likelihood of risk is the chance of occurrence of an uncertain future outcome. The likelihood of negative impacts is greatest where we have not foreseen significant events and taken action to mitigate their effects. For example, widespread flooding is not an everyday occurrence in Canada, but can have devastating effects when it happens; to help us plan and prepare mitigation measures, Environment Canada publishes maps showing the historic frequency of such events in any given region. We cannot expect to stop the water in its tracks, but we can recognize its likelihood, and its likely impacts, and prepare to deal with them effectively, as DIAND and our partners did during recent flooding in Manitoba. However, likelihood alone is not enough to describe the risk accurately; the impact must be assessed too.

The impact of a negative result will vary in both extent and severity. Questions of extent involve such considerations as the number of people or the amount of property or goods affected. Severity is the measure of whether the people affected are killed, injured or simply inconvenienced, whether the property or goods are merely slightly damaged or completely lost, and how easy they are to mend or replace.

**NO RISK-TAKING =
no innovation.
Conventional
thinking
yields
conventional
results.**

We cannot learn or improve if we never try anything new. And the new idea carries with it the risk of the unknown. Risk-taking means trying something new, and possibly better, in the sense of stretching beyond what has been done in the past. The constant challenge is to learn how to assess our choices responsibly, weighing the possible outcomes against our values and our responsibilities, including both the negative and the beneficial possibilities. Then we can manage the risks constructively.

Management of Risk is the practice by which risks are identified and analyzed in order to make decisions regarding the mitigation of unacceptable risk, and/or the acceptance of risk and its implications, to realize expected benefits.

DIAND employees have made it clear repeatedly, through such forums as Feedback to Managers and the Public

Service Employee Survey, that we are proud of the work we do in this department and are dedicated to doing well for our partners. As we developed and endorsed our *Leadership Profile*, employees insisted that risk-taking be one of the six competencies it promotes. Support and tools that help us manage risk responsibly make it possible for us to build new successes on those strengths, through innovation, learning and growth.

WHY MUST WE LEARN TO MANAGE RISK?

Measuring benefits is a still-evolving aspect of managing risk, and currently there are no universally recognized methodologies.

Perceived benefits include:

- ✓ improved decision-making (especially in the belief that attention to risk in the short term should provide benefits and avoid significant unfavourable outcomes in the long term);
- ✓ improved probability of achieving objectives and meeting commitments under *Gathering Strength*;
- ✓ promotion of forward thinking and innovation;
- ✓ operation with less oversight by external agencies;
- ✓ greater credibility with partners, based on clear evidence that all options and impacts have been responsibly assessed and planned for and that choices have been made in that context; and
- ✓ transparency and openness that enhance stakeholder (public, ministers, media) understanding of the factors considered in reaching decisions, and confidence in DIAND's processes.

WHEN MANAGED and controlled effectively, risk enables us to realize the potential benefits of business opportunities.

Many factors, both external and internal to the federal public sector, have created demands for more focussed attention on management of risk. In the Public Service as a whole, and at DIAND in particular, we manage the resources of other people. We are aware that this brings with it a need for extra diligence in responsibly managing any risks attached to that work.

- ✓ **DIAND's commitment to changing the way we relate to each other and our partners** demands that we learn new and more effective approaches and skills. We are exploring innovative new approaches to these relationships, which bring with them the risk of the unknown and unproven.

NOT MANAGING
risk is risky
business!

- ✔ **The increasing pace of change, including greater interconnectedness**, leaves no choice but to manage the risks that may be ahead as a result of rapidly changing technology and new ways of doing business.
- ✔ **New visions for regulatory reform and modern comptrollership** seek to incorporate risk management methodologies as a basis for moving away from past approaches which cost more in missed opportunity than we can now afford.
- ✔ **Resource restraint** has resulted in smaller government that must meet the still high expectations of Canadians. Responsible management of risk processes allows us to make tradeoffs of safe but cumbersome processes for untried but potentially more effective innovation.
- ✔ **Growing openness, transparency and accountability** have generated pressures for defensible decision-making and being better prepared for the scrutiny of oversight bodies and other stakeholders.
- ✔ **Significant and continual organizational change** has led to pressure on human resources, increased reliance on systems that are unproven and more trust in outside parties with whom services are delivered.

DIAND'S OBJECTIVES IN MANAGING RISK

In order to become a more risk attentive organization, DIAND must meet the following objectives for management of risk:

THE OBJECTIVE—
Understand,
Manage,
Communicate!

- ✓ Senior management to communicate regularly and clearly, both individually and collectively, their commitment and support for DIAND staff becoming increasingly more able risk assessors and risk managers (as part of their leadership competencies).
- ✓ To ensure all significant decisions are supported by systematic, integrated and continuous risk assessments where the level of risk involved is explicitly understood, documented and optimally balanced with the rewards, mitigation measure investments and stakeholder interests involved.
- ✓ To ensure Strategic High Risk Areas are identified and that all significant risk factors that could facilitate or prevent the successful achievement of DIAND's business objectives and performance targets are well understood and managed.
- ✓ To offer to share DIAND's management of risk concepts, tools and training with Aboriginal and Northern organizations and communities in order to better understand our mutual risks and to work in partnership to take appropriate joint measures to address significant risks affecting our clients, partners and key stakeholders.
- ✓ To provide learning and support for DIAND staff and interested Aboriginal and Northern partners to acquire competencies and tools for responsible risk-taking, seizing opportunities and pursuing innovation.

DIAND'S PROCESS AND TOOLS FOR MANAGEMENT OF RISK

As we became aware that the pace of change and other compelling forces demand more attentiveness to managing risk at DIAND, we established the Advisory Committee on the Management of Risk (ACMoR) and identified training resources to increase our capability for managing risk, both as individuals carrying out our daily work and as an organization as a whole.

THE MORE WE INVEST in management of risk, the more likely employees will be equipped to, and capable of, turning risks into opportunities.

The management of risk process developed for DIAND as a whole includes steps common to most traditional models, including Risk Identification, Risk Assessment and Analysis of Options. However, it also outlines some less traditional steps that are important to this department – “Stakeholder Interests” and “Document and Communicate”. Supported by a package of Risk Workshop Tools, it is designed to help DIAND decision-makers weigh the benefits and risks of the decisions they face every day.

While this process and the workshop tools are designed primarily to support discussions by work teams in a workshop setting, they are also of use to individual decision-makers working alone.

In the meantime, a number of useful risk management tools have been developed and/or implemented by various groups across the department.

- ✔ **Risk Checklists** have been developed by the Lands and Trust Services Sector to help assess environmental and other issues.
- ✔ **A Risk Management Procedure** has been developed in the Ontario Region for use with First Nations acting as their own prime construction contractors.
- ✔ A risk-based **Early Case Assessment Methodology** has been developed by the Litigation Management Branch to improve their case management.
- ✔ **A Tool for Assessing Abandoned Waste** has been developed by the Northern Affairs Program.

- ✓ A **Tool for Assessing Airborne Toxic Materials** in Traditional Foods has also been developed by the Northern Affairs Program.
- ✓ **Risk Workshop Tools** have been developed by ACMoR with the assistance of the Departmental Audit and Evaluation Branch (DAEB) for each step of the department’s risk management process.
- ✓ A **Risk Scorecard™** tool, developed by Performance Management Network (PMN) Inc., has been implemented by DAEB to assess high-level risks for the department.
- ✓ A **Risk Analysis Process** has been developed for DIAND employees to use in assessing and managing risk in their jobs.
- ✓ A **Learning Strategy for Management of Risk** at DIAND has been developed by the Learning and Development Directorate.

The “Process” and “Workshop Tools” are designed to help rate likely outcomes in DIAND business decisions in terms of high, medium and low impact, and to manage risks.

Process Risk Analysis	Risk Workshop Tools
RISK IDENTIFICATION	IDENTIFYING ISSUES & OPPORTUNITIES
RISK ASSESSMENT	RISK IDENTIFICATION – INITIAL SCAN
STAKEHOLDER INTERESTS	PRELIMINARY RISK ASSESSMENT
ANALYSIS OF OPTIONS	MEASURES TO MANAGE RISK
DECISION-MAKING	DEVELOPING OPTIONS FOR DECISION-MAKING
DOCUMENT & COMMUNICATE	COMMUNICATIONS CONSIDERATIONS
MONITOR	DECISION CHECKLIST
ADAPT	DECISION SUMMARY

Level	Impact	Damage & Liability	Operational Effects	Reputational Loss
3	SEVERE	<ul style="list-style-type: none"> ■ Death or permanent disability ■ Fiduciary error or omission > \$1M ■ Loss of critical client information (e.g., trust data, mining records) or disclosure of highly sensitive or classified information ■ Loss of major asset(s) > \$1M ■ Serious violation of law (e.g., Labour Code, Criminal Code) ■ Permanent environmental damage 	<ul style="list-style-type: none"> ■ Disruption of all essential programs/reviews > 7 days for large numbers of clients ■ Client protests impacting on the public or DIAND operations ■ Significant underachievement of objectives ■ Cancellation of major projects without products ■ Indebtedness increase > 10% ■ Loss of key corporate knowledge 	<ul style="list-style-type: none"> ■ Significant loss of client group trust ■ Public outcry for removal of Minister and/or departmental officials ■ Media outcry for removal of Minister and/or departmental officials ■ Strong criticism by review agencies (e.g., OAG, PAC, etc.)
2	MODERATE	<ul style="list-style-type: none"> ■ Serious injury/illness ■ Fiduciary error or omission \$100K - \$1M ■ Environmental damage ■ Loss of asset(s) \$100K - \$1M ■ Violation of law (e.g., Labour Code, Criminal Code) ■ Disclosure of sensitive information 	<ul style="list-style-type: none"> ■ Disruption of some essential programs/services ■ Indebtedness increase 1 - 10% ■ Client protests impacting on DIAND operations ■ Schedule delays to major projects ■ Some loss of corporate knowledge ■ Some underachievement of objectives 	<ul style="list-style-type: none"> ■ Some loss of client group trust ■ Negative media attention ■ Criticism by review groups (e.g., OAG, PAC, etc.)
1	MINOR	<ul style="list-style-type: none"> ■ First aid treatment ■ Fiduciary error or omission < 100 K ■ Loss of asset(s) < 100 K ■ Disclosure of personal information 	<ul style="list-style-type: none"> ■ Indebtedness increase < 1% ■ Schedule delays to minor projects 	<ul style="list-style-type: none"> ■ Setback in building of client group trust ■ Some unfavourable media attention ■ Some unfavourable observations by review groups (e.g., OAG, PAC, etc.)

Level	Likelihood	Description
3	HIGH	The event is expected to occur in most circumstances
2	MEDIUM	The event should occur at some time
1	LOW	The event occurring is unlikely

For more detail on DIAND's Process and Tools for Management of Risk, refer to our Management of Risk IntraNet site. (<http://intra//hq//leadership//index.htm>)

DIAND'S LEARNING STRATEGY FOR MANAGEMENT OF RISK

Faced with a decision about an emerging event or an innovative approach to an issue, we are usually also up against tight deadlines. That is not a good time to pick up a new decision-making process or tool and try to understand it and apply it for the first time. That is why we have developed a Management of Risk learning strategy for DIAND, to spread these concepts and skills throughout the organization and make them an integral part of how we do business.

The learning strategy is designed to meet the need on two levels: the individual and the organization as a whole. Its goal is to complement intuitive decision-making with a systematic approach to managing risk within the parameters and boundaries DIAND must respect. And it will help individuals to recognize their own decision-making styles and limitations so that they may concentrate on acquiring the particular knowledge, skills and abilities that build on their strengths and offset their limitations in managing risk.

With this in mind, we offer a flexible series of seven modules to build expertise and experience. The modules range from one-day classroom sessions, some in lecture/seminar format and others that are interactive learning experiences, through facilitated team workouts, to a hot line for detailed enquiries. They are designed for individuals or groups, for those who only need some orientation or for those who will pursue the strategy far enough to develop expertise. One module is designed to train supervisors and middle managers to facilitate risk analyses of specific opportunities or risk scenarios in their own work units.

The learning strategy for Management of Risk at DIAND is still evolving. For up-to-date detailed information on the resources available to you, tap into our IntraNet site. (<http://intra/hq/leadership/index.htm>)

TO MANAGE RISK responsibly under tight deadlines, we need to have learned and internalized the needed tools and processes well in advance.

ADDITIONAL SOURCES OF INFORMATION ON MANAGEMENT OF RISK

DIAND'S MANAGEMENT OF RISK INTRANET SITE

<http://intra/hq/leadership/index.htm>

TREASURY BOARD SECRETARIAT (TBS)

MANAGEMENT OF RISK ACTION PLAN AND WEBSITE

**[http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/
RiskManagement/siglist_e.html](http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/RiskManagement/siglist_e.html)**

LEARNING ABOUT RISK* CRITERIA OF CONTROL BOARD (CoCo),

**[http://www.cica.ca/cica/cicawebsite.nsf/Public/
sgcoss_sspco9](http://www.cica.ca/cica/cicawebsite.nsf/Public/sgcoss_sspco9)**

GLOSSARY OF TERMS

ACCEPTABLE RISK	A risk which is justifiable in light of expected benefits, interests and expectations of our partners and other stakeholders, and of our values and fundamental precepts.
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IMPACT	The term to express the outcome and extent of the outcome of an event. The outcome may involve favourable or unfavourable consequences.
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INTUITIVE MANAGEMENT OF RISK	Using experience-based judgement to consider the benefits and risks of a scenario and decide on a course of action. It can be done quickly with minimal resources and is generally more applicable to lower-importance, lower-cost scenarios. It is often the only option for urgent decisions.
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LIKELIHOOD	The chance of occurrence of an uncertain future outcome.
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MANAGEMENT OF RISK	The practice by which risks are identified and analyzed in order to make decisions regarding the mitigation of unacceptable risk, and/or the acceptance of risk and its implications, to realize expected benefits. Risk management activities generally include: identification; assessment; stakeholder interests; analysis of options; decision-making; documenting and communications; and monitoring and adapting.
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MITIGATING MEASURE	A measure taken to reduce the impact of possible negative outcomes.
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RISK	Uncertainty of a future outcome measured by likelihood and impact. Impacts arise from naturally occurring exposures or as a result of the pursuit of benefits from opportunities.
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RISK ASSESSMENT	The process of evaluating the likelihood and impact associated with an uncertain future outcome.
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RISK COMMUNICATIONS	Any transfer or exchange of information between stakeholders or interested parties about risks or mitigating measures.
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RISK IDENTIFICATION	The process used to define potential uncertain future outcomes by determining what can happen and what would be the particular concerns about, or benefits from, what can happen.
RISK SCORECARD™	The tool developed by Performance Management Network (PMN) Inc. to represent graphically which risk(s) are identified and to assess their likelihood and impact within zones of minimal risk, acceptable risk, unacceptable risk and how close they are to a judgmental boundary of acceptable risk. It may also be used to illustrate existing and incremental risk management measures and their current and potential effect on likelihood and impact.
STAKEHOLDERS	Interested parties who may be affected by our decisions.
STRATEGIC RISK AREAS	These are overarching areas of risk exposure that cut across the department. Risk-taking in these areas has the potential to significantly affect the achievement of DIAND's objectives, positively or negatively, and must therefore be managed strategically and systematically.
SYSTEMATIC MANAGEMENT OF RISK	Using information-based structured analysis to consider the benefits and risks of a scenario and deciding on a course of action. It takes time and resources and is generally more applicable to higher-importance, higher-cost scenarios.
UNCERTAINTY	A condition where the outcome can only be estimated.

