

Homeland Security Advisory Council

Continued Professional Training

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What Real Risk Management Is All About

Thanks for inviting me to Los Angeles to speak to you today. I know I have a mixed group of crisis managers, public safety professionals and leaders in business and industry here today I have possibly met some of you in prior presentations, and if that is true you know my focus in life is the management of risk.

My goal today is to give you some ideas and strategies regarding the discipline of risk management and how it applies to you and your specific operations. I am absolutely convinced that if more people understood the breadth and depth of real risk management, we would all be a lot better off.

In 1975 I got hooked on the study of tragedies – and I have spent way too much time studying tragedies in high-risk occupations including maritime tragedies, mining tragedies, refinery tragedies, train tragedies, plane tragedies, bridge tragedies, building tragedies, power plant tragedies and tragedies in public safety organizations.

When you take a look at any tragedy in any profession and look for “What caused it?” – It is easy to spot the proximate cause. The event that instantly precedes the tragedy is relatively easy to spot. But real risk managers do not stop their search for cause with identifying the proximate cause. Real risk managers go back in time and look for *problems lying in wait* – that people knew about or should know about – yet these problems are oftentimes ignored until the tragedy occurs.

Your role (and the role of everyone in every job in your specific operations) is to take a daily look at your sphere of influence – your span of control – and ask these questions: Do we have *problems lying in wait* in our fleet? Do we have *problems lying in wait* in our infrastructure? Do we have *problems lying in wait* amongst our personnel? And if you identify such an issue – that needs to be addressed.

If you fail to identify and address these *problems lying in wait* sooner or later all the holes in the Swiss Cheese (the thoughts of Dr. James Reason) are going to become aligned – and when that happens the tragedy occurs – and then the lawyers take over and the *problems lying in wait* are then identified and addressed – after the fact.

I gave you a number of examples from a variety of professions earlier today, but my focus today is on your role in HSAC operations which today face and unprecedented level of risk.

So, what can we do? Allow me to briefly introduce you to The Ten Families of Risk. As I looked at the thousands of risks that people face in a given organization, I saw too many people who were overwhelmed by the volume of the issue. I wanted to make it easier to comprehend. So, let's break up the thousands of risks into ten families.

What I would like you to do after this program is to take a look at each of these ten families and ask yourself "What are the three (or more if you feel energized) greatest risks I face in each of these families, and what control measures do we have in place to address these identified risks?" Here are the ten families of risk.

1. External Environment – Risks arising from outside the organization that impact your organization. And we know there are a number of these and they are increasing in frequency and severity. Included here are natural disasters, pandemics, terrorist activities and conduct (both intentional and negligent) by members our public that impacts our operations. This is the most complex and difficult family of risk you face as your control of these risks is very limited. But these risks need to be recognized and addressed if possible.
2. Legal and Regulatory – Risks arising from the complexity of or non-compliance with of the legal framework imposed on organizations like yours in your state. If there is a law or ordinance in state or federal statutes that requires action or prohibits action – this rule must be known and followed. I am always amazed how many organizations – both private and public sector – including large ones with huge budgets – are not in compliance with the ADA, FLSA, and even the Public Records Act. And with the demand today for full transparency this could pose a major problem for you and your organization. Do you have all the policies in place that are required by federal laws and regulations?
3. Strategic – Risks arising from the lack of priority setting and business planning leading to a reactive organization that is not prepared or flexible enough to deal with unforeseen events. This goes on a lot, particularly in smaller organizations that do not have sufficient personnel or time to plan for the future. Where will America be in 30 years? Where will your organization be in 30 years? If you think that it will look pretty much the same, you may be missing the boat.
4. Organizational – Risks arising from not clearly defining roles and responsibilities, not demonstrating the values of the your organization or not having monitoring processes in place. In a nutshell, we must be concerned with PEOPLE, POLICY, TRAINING, SUPERVISION and DISCIPLINE. Let

me give you some highlights on each of these issues that oftentimes are the root cause of so many tragedies.

5. Operational – How do we manage the risk of a specific task, incident or event? How do we manage the risks involved in this particular employee termination or employee threat of suicide? How do you manage the risks associated with a specific pathogen incident? Again, I must emphasize the importance of Recognition, Prioritization, and Mobilization of the high-risk, low-frequency, non-discretionary time tasks and the importance of daily training on these *core critical tasks*.
6. Information – We make decisions based on information. How do you know the information on which you are basing your decision is accurate and has not been vetted by someone for his or her own advantage? How do you separate the valuable information from all the data? In many organizations I have consulted with, I see that personnel are trained on how to do specific tasks – but very few organizations teach their personnel how to think. I strongly recommend training for all personnel on critical thinking skills, particularly on the specific tasks in a given job that have the highest probability of ending up problematic. Be aware of the dangers of ignorance, complacency and cognitive bias. Again, I stress the importance of decision-making training for all people in high-risk operations.
7. Human Resources – Risks arising from the myriad of issues involving personnel. This may well be the most expensive family of risk you face. Put a checkmark next to this one as it is causing us a ton of grief and needs your attention when you get back to work. If I were running an organization, I would not allow any supervisor, manager or executive to make an employment law decision without first consulting with competent human resources personnel. All employment law is discretionary time so let's take the time to transfer the risk to those who do the task at the highest frequency.
8. Technology – This is the fastest growing family of risk we face. I have major considerations about hacking, ransomware, malware, software, equipment purchases and updating, employee knowledge and training, terrorism, social media, equipment failure and many other issues. Is your CTO really a CTO? Or is your CTO just the smartest person in the room with respect to computers? There is a huge difference!
9. Financial and Reputational – Risks arising from improper budgeting, forecasting and expenditure controls, including contracting, asset management, internal audits, improper salaries, theft of cash, misappropriation of resources, misuse of overtime and poor revenue oversight. We must be very concerned with anything dealing with money. Is your CFO really a CFO? Does she/he actually have any background in finance – or does this person

just test well on promotional examinations. And what control measures do you have in place to prevent the theft of funds from your organization?

10. Political – All of your personnel should stay out of the fray of politics. Please be careful in your dealings with other elected officials – there is a lot of risk involved here. Also, your department mission should not be impacted by which political party is in control of your state.

So your take back to work assignment is to identify the three (or if you are ambitious the five) greatest risks you face in each of these ten families and then ask – “What control measures (systems) do we have in place to address these identified risks?” And please make this an ongoing process within your operations.

Thanks for coming to this program today and I wish you continued success in all you are doing.

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