



RISK ASSESSMENT 101

RISK MANAGEMENT FOR NON-RISK MANAGER (AND FOR RISK MANAGERS TOO!)

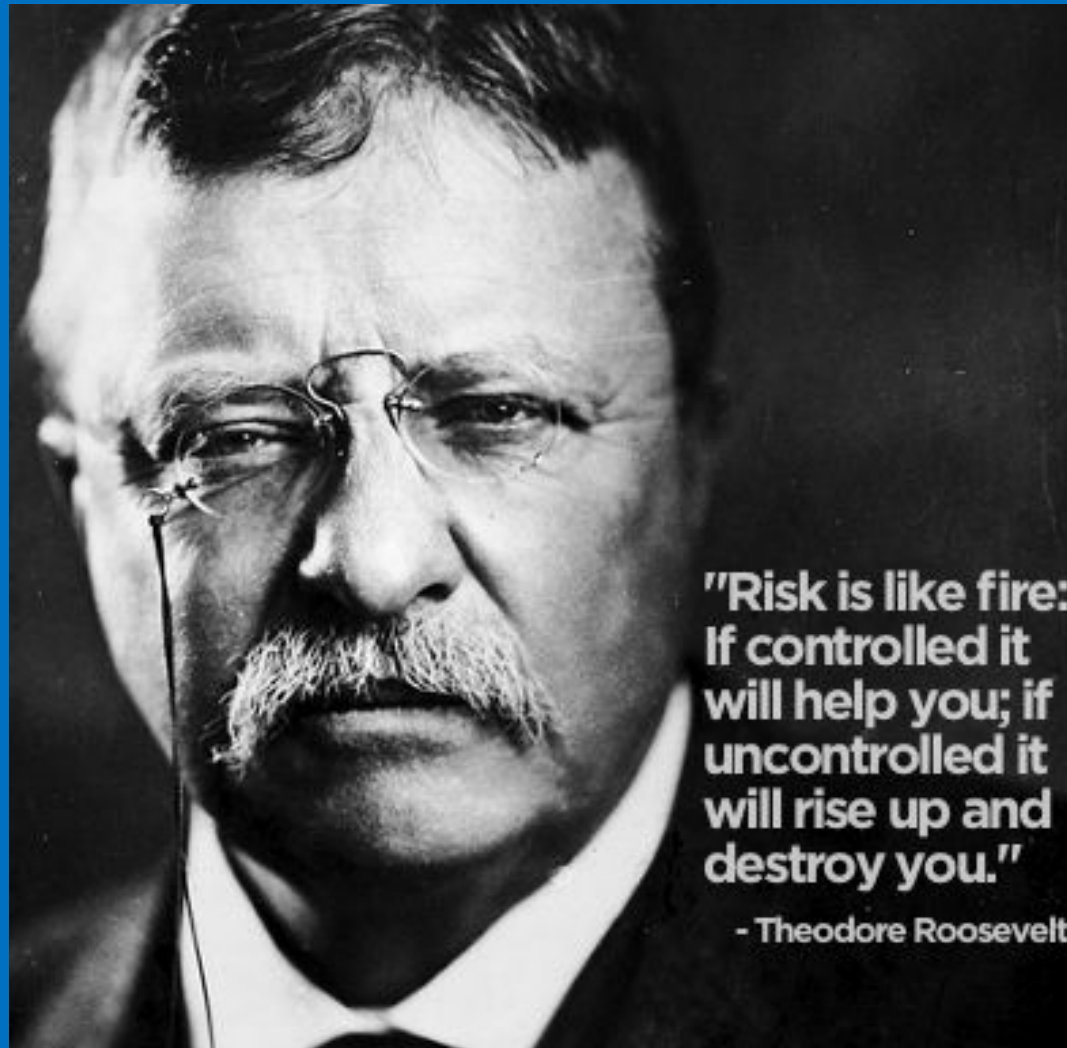


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"Fitting the Pieces" Conference
San Diego
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*Deep
Thought
for the
Day:*



**"Risk is like fire:
If controlled it
will help you; if
uncontrolled it
will rise up and
destroy you."**

- Theodore Roosevelt

WHAT IS RISK MANAGEMENT?

RISK =

The possibility that something bad could happen.

RISK MANAGEMENT =

The process of **identifying, understanding and addressing risks** in order to achieve the objectives of the organization.



WHY DO WE TAKE RISKS?





*Deep Thought for
the Day #2:*

Ancient Chinese
symbol for risk:

担險

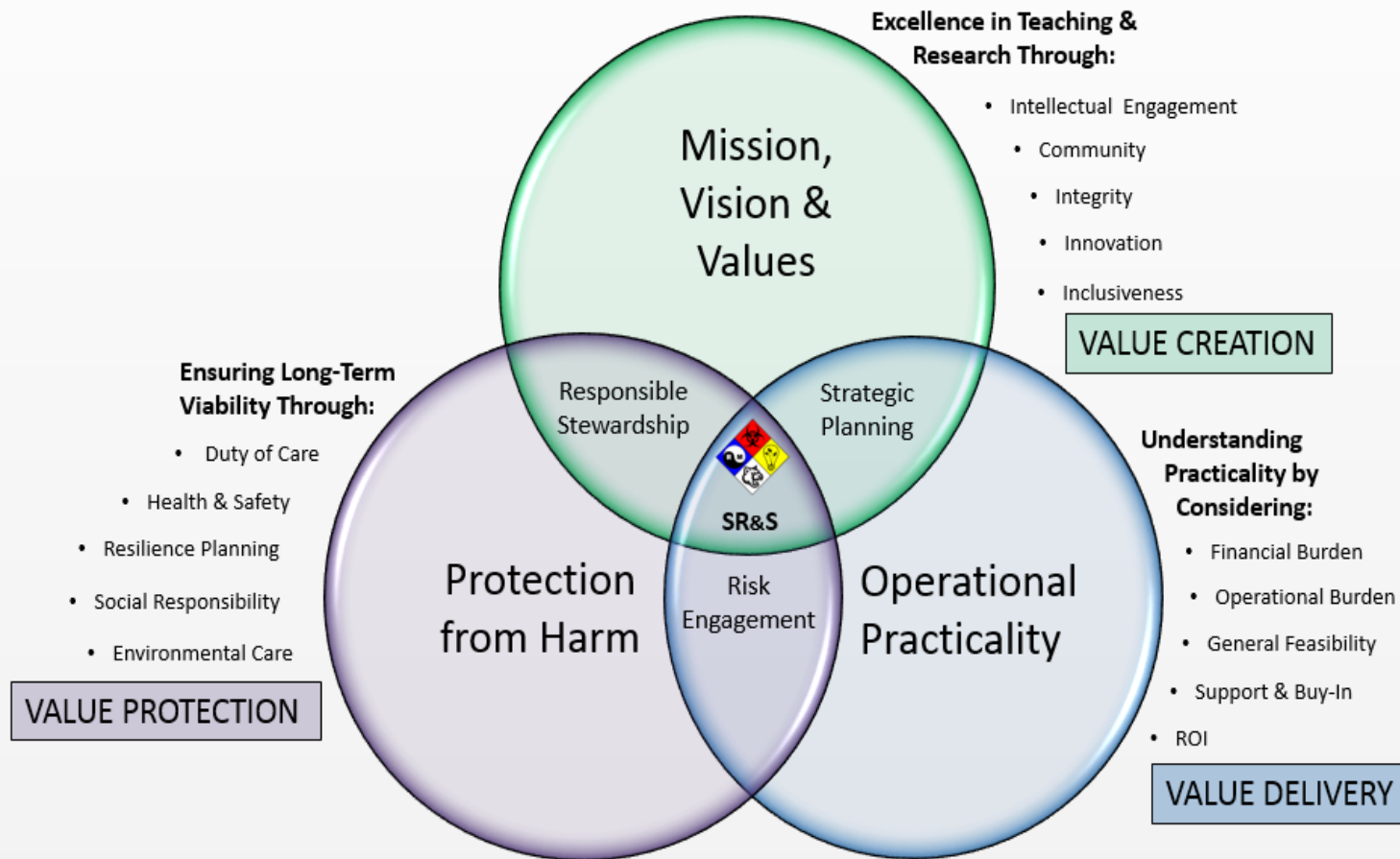
↑
Danger

↑
Opportunity

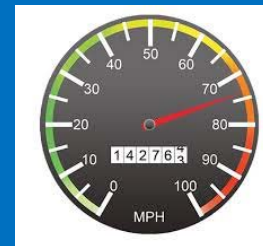
RESPONSIBLE RISK ENGAGEMENT = *BALANCE*

CSUSM Safety, Risk & Sustainability Services

Balancing responsible stewardship of the University's resources with achievement of the University's mission, vision & values, and operational practicality.



EVERYDAY RISK MANAGEMENT



RISK MANAGEMENT AT ITS MOST BASIC

Is the potential reward worth the potential risk?



BASIC RISK ASSESSMENT

1. What is the likelihood something bad will happen?

-AND-

2. How bad will it be if it does?



SAMPLE 3x3 RISK RATING GRID

IMPACT	High	Medium	Medium High	High
	Medium	Medium Low	Medium	Medium High
	Low	Low	Medium Low	Medium
		Low	Medium	High

LIKELIHOOD

SAMPLE 5x5 RISK RATING GRID

IMPACT	Catastrophic	High	High	Very High	Very High	Very High
	Significant	Medium	Medium	High	Very High	Very High
	Moderate	Low	Low	Medium	High	High
	Limited	Very Low	Very Low	Low	Medium	Medium
	Minimal	Very Low	Very Low	Very Low	Low	Low
		Rare	Unlikely	Possible	Likely	Almost Certain
		LIKELIHOOD				

YOU'VE RATED YOUR RISK – NOW WHAT ?





- **Avoid the Risk** – the activity is too risky, and there are no reasonable ways to reduce risk to an acceptable level.
- **Transfer the Risk** – the level of risk to our organization is too high, so we will transfer the risk to another party.
- **Reduce the Risk** – the level of risk is at a higher level than we are comfortable accepting, so action is required to reduce the level of risk (either likelihood or impact).
- **Accept the Risk** – the level of risk is low enough to accept without any further action required.

RISK ASSESSMENT EXERCISE



SAMPLE RISK ASSESSMENT WORKSHEET

RISK ASSESSMENT WORKSHEET

Event Name:

Brief Description of Event & Activities:

Associated Risks:	Likelihood:	Impact:	Overall Risk Rating:	DECISION: Accept risk? Action required to reduce risk? Activity too risky to include (and no reasonable ways to reduce risk to an acceptable level)?
1.				
2.				
3.				
4.				
5.				

New Risk Ratings:

(after appropriate measures taken to bring medium or higher risks down to an acceptable level of low or very low)

Associated Risks:	Likelihood:	Impact:	Overall Risk Rating:	Notes:

SAMPLE - COMPLETED R.A. WORKSHEET

RISK ASSESSMENT WORKSHEET - SAMPLE SCENARIO

Event Name: Pony rides on the lawn during finals week.

Brief Description of Event & Activities: Hire a vendor to have pony rides on the lawn during finals week to entertain students and help with stress reduction. Event would take place on main lawn in front of Student Union from 12:00 - 2:00 on Tuesday, Wednesday & Thursday. In addition to vendor staffing, at least one ASI representative will be there at all times.

Associated Risks:	Likelihood:	Impact:	Overall Risk Rating:	DECISION: Accept risk? Action required to reduce risk? Activity too risky to include (and no reasonable ways to reduce risk to an acceptable level)?
1. Ponies will poop on lawn	Almost Certain	Minimal	Low	Accept risk - require vendor to remove pony poop before leaving.
2. Students too big - may injure ponies	Likely	Moderate	High	Not acceptable (animal cruelty and negative press) - need to consider other options.
3. Head injury form falling off	Unlikely	Moderate	Low	Accept risk - may consider requiring helmets to reduce risk impact to limited, reducing overall rating to "very low."
4.				
5.				

New Risk Ratings:

(after appropriate measures taken to bring medium or higher risks down to an acceptable level of low or very low)

Associated Risks:	Likelihood:	Impact:	Overall Risk Rating:	Notes:
Horses instead of ponies - risk of injuring animal reduced	Unlikely	Moderate	Low	

MISSION-BASED RISK MANAGEMENT

ASK YOURSELF:

Is what we are doing (or proposing to do) supporting and/or helping us achieve our mission?





What is our mission?

What is *your* mission?



THE PSYCHOLOGY OF RISK



COGNITIVE BIAS

- **Recency/Primacy Effect** – people tend to remember best the information they hear first and last
- **Zero Risk Bias** – people tend to favor reducing a small risk to zero over a greater reduction in a larger risk
- **Confirmation Bias** – tendency to listen/give weight to only that information which supports our existing position/beliefs
- **Ostrich Effect** – tendency to avoid or ignore negative information
- **Availability Heuristic** – tendency to overestimate the importance of the information that is available to us



OVERCOMING COGNITIVE BIAS IN RISK EVALUATION

The 4-Step “Pre-Mortem” Technique

Accept that a plan has failed or something bad has happened

Brainstorm to elicit all possible reasons for the failure

Discuss, evaluate and prioritize the list of potential reasons for failure

Look for ways to avoid/mitigate potential/likely drivers of failure

The result is usually a more realistic assessment of risks and/or potential failure points in a plan or protocol



“DREAD FACTORS”

1. Scale
2. Immediacy
3. Imaginability
4. Personal Control
5. Lack of Choice
6. Unfairness
7. Children Involved
8. Lack of Familiarity
9. Untrustworthy Origin
10. Media Coverage

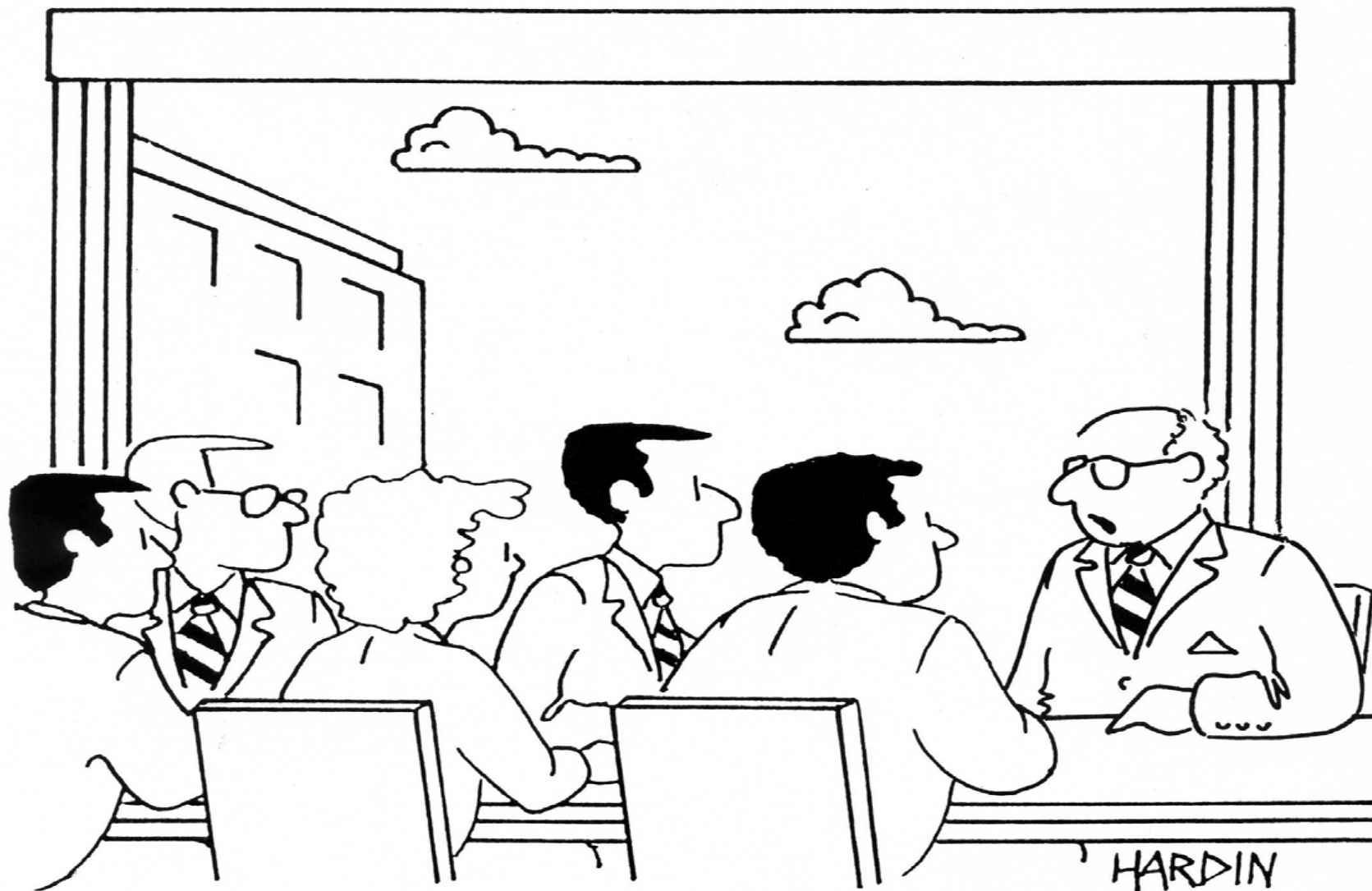


Final Deep Thought for the Day:



PETER DRUCKER QUOTE:

"People who don't take risks make about two BIG mistakes a year. People who do take risks make about two BIG mistakes a year."



"We've considered every potential risk except
the risks of avoiding all risks."