

## But *how* do you integrate risk management? A book review

*Risk Management in Organisations: an integrated case study approach* by Margaret Woods, publisher Routledge; 176 pages.

How do other organisations implement risk management? How does it work for them? Where can I find some case studies to give me some ideas? Consultants glean ideas from experiences with clients but, in all honesty, do we know how long the apparent successes last? Risk managers may learn what works in one or a few organisations but can their successes be replicated elsewhere? Such questions are often asked within the risk management community. Answering them may be difficult in New Zealand where we have a small economy; how do we get answers from larger economies and organisations?

This book by Margaret Woods, a senior academic at Aston University in the UK, should therefore be a welcome addition to a risk manager's bookshelves and will also help consultants broaden their ideas. Woods gives a very useful introduction to risk management, its relationship with corporate governance and its growth in importance in the UK, USA and elsewhere. She acknowledges AS/NZS 4360 as the standard that gave rise to ISO 31000 and then uses a case study approach to describe approaches to risk management and frameworks in four large British organisations – Tesco, Royal Bank of Scotland (RBS), Department of Culture, Media and Sport (DCSM) and Birmingham City Council (BCC).

Tesco (not to be confused with Tesco Ltd, an Auckland-based company ) is one of the largest retailers in the UK; it is growing internationally and now has a financial services arm. Woods describes how Tesco has customer service at the heart of all business systems, including risk management. I found this case study the best in the book. Having worked as a consultant to two of Tesco's competitors nearly 20 years ago I found some of the information quite familiar but the case study details show why this company has become such a major force in retailing.

For RBS, it is not clear how the "three lines of defence" and horizon scanning (both part of its risk management framework) failed to protect the bank from the ravages of the global financial crisis. Was the problem the internal culture, perhaps similar to that described in an anonymous article in *The Economist* (2008 )? Was its risk management an integral part of organisational processes (principle b, SA/SNZ, 2009, p. 9).

For, in stark contrast with Tesco, RBS had some 4,250 staff out of 142,000 employees (nearly 3%) working in risk management while Tesco had a handful out of the nearly 470,000 employees worldwide. A further contrast is the strong growth curve for Tesco (despite the global financial crisis) and continuing crises for RBS. Is this evidence that large risk management teams are in danger of becoming the managers of risk when line managers should be accountable for the day-to-day management of risk?

The financial services arm of Tesco was a joint venture with RBS until the global financial crisis. Tesco now wholly owns the business. This came across as an example of integrated risk management strengthening one organisation (Tesco) while possibly ineffective integration left another (RBS) ill-prepared for eventuation of a major risk.

The case studies of DCSM and BCC give valuable insights into risk management in public sector organisations, including references to some UK Treasury publications and, overall, the book provides ideas for what may or may not work in given situations.

The book has some weaknesses. Woods sometimes misrepresents ISO 31000; she gives the now out-of-date definition of risk in ISO Guide 73: 2002 (not the 2009 definition); the book is entirely about UK organisations (albeit with one a multinational); and she repeatedly refers to *enterprise* risk management. Perhaps soon, there will be convergence on plain risk management?

Despite these reservations the book will become the set text for one of the risk management papers I teach at Massey University and I commend it to members who want some examples of risk management in a range of organisations. For those who want to peek before they buy, a summary of the book is available at <http://www.cimaglobal.com/en-gb/Thought-leadership/Research-topics/Organisational-management/Reporting-and-managing-risk/>. This is worth a look for a full-colour version of the Tesco "steering wheel". Check it out!

### **References**

Anon. (2008 7 August). Confessions of a risk manager. *The Economist*.

SA/SNZ AS/NZS ISO 31000:2009. *Risk management – Principles and guidelines* Wellington, NZ: Standards New Zealand.