

Concept of risk management in navy management essay



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The concept of risk management has been around the Navy since its inception. During the drawdown of the 1990's, the risk management concept was formalized into the Operational Risk Management (ORM) program. This structured approach was initiated to mitigate the risks associated with such a massive reorganization.

Risk is inherent in all tasks, training, missions, operations, and in personal activities no matter how routine. The most common cause of task degradation or mission failure is human error, specifically the inability to consistently manage risk. ORM reduces or offsets risks by

systematically identifying hazards and assessing and controlling the associated risks allowing decisions to be made that weigh risks against mission or task benefits. As professionals, Navy

personnel are responsible for managing risk in all tasks while leaders at all levels are responsible for ensuring proper procedures are in place and that appropriate resources are available for their personnel to perform assigned tasks. The Navy vision is to develop an environment in which every officer, enlisted, or civilian person is trained and motivated to personally manage risk in everything they do This includes on- and off-duty evolutions in peacetime and during conflict, thereby enabling successful completion of any task and mission.

"...Integrate Safety and Risk Management into all on and off-duty evolutions to maximize mission readiness and to establish DON as an organization with world class safety where no mishap is accepted as the cost of doing

business...Establish a risk management training continuum to ensure all DON

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personnel receive targeted [ORM] training and that all formal professional training courses are infused with examples of how effective risk management improves both safety and mission readiness.”

DON Objectives for FY 2008 and Beyond (9 Oct 07)

Benefits of ORM

Reduction of operational loss.

Lower compliance/auditing costs.

Early detection of unlawful activities.

Reduced exposure to future risks.

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*****What is ORM?

The term Operational Risk Management (ORM) is defined as a continual cyclic process which includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM is the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems; human factors; or external events.

+++++How

The ORM process assists you in making smart and informed decisions. Actually, you apply ORM every day. At times, you may not even be aware of it as you carry out a task or mission. An example of this is as simple as crossing the street; you look both ways because you were taught this at a young age. However, today you don't even look at this as risk management, but something that you know is the right thing to do before crossing the street.

Every Sailor has a role to play in managing risk during a command's task or mission, and every Sailor is vital to the success of the Navy " team".

Purpose

The ORM process minimizes risks to acceptable levels, commensurate with task or mission accomplishment. Correct application of the ORM process will reduce losses and associated costs resulting in more efficient use of resources. Zero risk is not the intent of ORM.

Goal

The Goal of ORM is to develop an environment in which every officer, enlisted, or civilian person is trained and motivated to personally manage risk in everything they do; to manage risk and move forward to accomplish the mission while safeguarding our people and infrastructure.

Risk management is a continuous process that is integral from the strategic level of planning through the tactical level and execution. It is a tool to help improve mission readiness and mission accomplishment.

The figure shows the three levels of ORM defined primarily by time. There is no definitive separating line between the three levels (in-depth, deliberate, and time critical) represented by the transition in color flowing from one level to another as you approach the task or event.

It is important to know we have resources to tap into. At each level of the planning process, hazards and associated risks are identified and appropriate controls are developed and implemented. These controls become resources upon which you can draw for the next level of planning and ultimately for execution.

The ORM process is a systematic, continuous, and repeatable process that consists of five basic steps.

Identify hazards

Assess hazards

Make risk decisions

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Implement controls

Supervise (and watch for changes)

The first two steps comprise the risk assessment portion of ORM and provide enhanced awareness and understanding of a given situation. This awareness builds confidence and allows for timely, efficient, and effective protective measures. The remaining three steps are the essential follow-through actions to either eliminate the hazard or mitigate the risks.

Risk Assessment Matrix

ORM Matrix Card

ORM incorporates the following four principles:

Accept Risk When Benefits Outweigh the Cost

Accept No Unnecessary Risk

Anticipate and Manage Risk by Planning

Make Risk Decisions at the Right Level

Accept Risk When Benefits Outweigh the Cost

The process of weighing risks against the benefits and value of the mission or task helps to maximize success. Balancing costs and benefits can be a subjective process. Therefore, personnel with knowledge and experience of the mission or task must be engaged when making risk decisions.

The goal of ORM is not to eliminate risk but to manage the risk so that the mission or task both on- and off-duty can be successful. The bottom line is, if no benefit can be achieved then do not take the risk.

Accept No Unnecessary Risk

Operational Naval Instruction (OPNAVINST) 3500. 39 (series) states:

If all detectable hazards have not been identified, then unnecessary risks are being accepted. Additionally, an unnecessary risk is any that, if taken, will not contribute meaningfully to mission or task accomplishment or will needlessly jeopardize personnel or material. The risk management process identifies hazards that might otherwise go unidentified and provides tools to reduce or offset risk. The acceptance of risk does not equate to the imprudent willingness to gamble. Take only risks that are necessary to accomplish the mission or task.

Anticipate and Manage Risk by Planning

Integrating risk management into planning as early as possible provides the greatest opportunity to make well-informed risk decisions and implement effective risk controls. This enhances the overall effectiveness of ORM and often reduces costs for your organization and yourself when off duty.

Make Risk Decisions at the Right Level

Anyone can make a risk decision. However, the appropriate decision maker is the individual who can eliminate or minimize the hazard, implement controls to reduce the risk, or accept the risk. Leaders at all levels must ensure that their personnel know how much risk they can accept and when

to elevate the decision to a higher level. Ensuring that risk decisions are made at the appropriate level will establish clear accountability. Therefore, those accountable for the mission must be included in the risk management process. If the commander, leader, or individual responsible for executing the mission or task determines that the controls available to them will not reduce risk to an acceptable level, they must elevate the risk decisions to the next level in the chain of command.

3 LEVELS

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The risk management process is applied on three levels: in-depth, deliberate, and time critical. The basic factor that differentiates each level is time; that is the amount of time available to dedicate to the preparation and planning of missions or tasks.

Time Critical Risk Management (TCRM)

Personnel know ORM. They develop plans and brief the crew on task procedures. However, we often fail to execute the plans as briefed. We do not manage “ change” as it occurs, and those changes affect the original plans. Usually, the personnel injured during a task are those who were not involved in the original planning.

Recent studies of the ORM process have found that personnel have a firm grasp of the In-Depth and Deliberate levels of ORM. Unfortunately, personnel fail to execute Time Critical Risk Management (TCRM) during tasks as events change.

You are accustomed to the 5-step process during In-Depth and Deliberate ORM processes; however, realistically it is difficult to execute the 5-step process during the time critical level effectively. Therefore, we are introducing a new tool for the execution of TCRM. This tool will help you improve communication, handle change, and manage risk to ensure mission success. We are NOT eliminating the 5-step process - rather, the five steps are incorporated into this new, easy-to-use tool.

This model consists of various graphic representations for situational awareness (target), stacked blocks (resources), a swooping arrow (a return to good SA) and a four letter box mnemonic (ABCD) that will help you improve communication, handle change, and manage risk to ensure mission or task success. It's called the ABCD model.

The ABCD mnemonic in the model is not a replacement for the 5-step ORM process or a different process of risk management, but it is the practical application of the 5-step process in a time-critical environment.

Off-duty mishaps are extremely detrimental to the Navy's operational capability.

Because we are part of the Navy "team" 24/7, the actions we take off-duty can affect the readiness and operational capability of our command's mission or task, therefore affecting the Navy as a whole. Thus, we must constantly be aware of all risks involved in our everyday off-duty activities.

ORM applies off-duty the same as on-duty. By consistently using the A-B-C-D loop in our individual activities, we can reduce the number of off-duty

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mishaps; thereby improving the Navy's readiness and operational capabilities. These fewer mishaps will also allow individuals to meet personal and professional challenges now and in the future.

Benefits of ORM

Reduction of operational loss.

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*****Glossary of Terms

ABCD The mnemonic for the four actions of Time Critical Risk Management (TCRM). A-Assess the situation, B-Balance your resources, C-Communicate to others, D-Do and Debrief the event.

Acceptable Risk The portion of identified risk that is allowed to persist during the mission or task.

Additive Condition Refers to all items that compete for an individual or crew's attention during the execution of a mission or task. Examples include; equipment malfunctions, change in weather, multiple players, unpredictable information, and change to the mission. Additive conditions may increase task loading or uncertainty and lead to distraction or channelized focus.

Command (unit or organizational) ORM Integration Integrating ORM into the command relates to reviewing procedures, instructions, and processes; identifying hazards; and creating controls associated with those hazards

Command ORM Manager Designated unit level individual, qualified in accordance with OPNAVINST 1500. 75(series), who is responsible for implementing risk management principles, concepts, and policy within the unit.

Consequential Error An error which leads to undesired consequences to property, personnel, or mission (e. g., mishap, personal injury, mission failure, etc.).

Controls Actions taken or measures put in place to eliminate a hazard or reduce the associated identified risk. Some type of controls include engineering controls, administrative controls, and physical controls.

Crew Factors Refers to human factors which affect the capabilities of the individual, crew, or team and can increase the potential for errors. This includes such things as attitudes, personalities, level of training, experience, fatigue, and physiological factors.

CRM Crew Resource Management

Exposure An expression that considers the frequency, length of time, and percentage of people or assets subjected to a hazard. Exposure is a component of risk, but not directly used to assign a level of risk. Rather, it is a consideration in determining probability and severity.

Hazard Any real or potential condition that can cause injury, illness, or death to personnel; damage to or loss of equipment or property; degradation of mission capability or impact to mission accomplishment; or damage to the environment. (Synonymous with the term threat.)

Operational Analysis A chronological or sequential list of the major events or elements in a mission or task. This is the complete picture of what is expected to happen and assures all elements of a mission or task are evaluated for all potential hazards

OPNAV Office of the Chief of Naval Operations

OPORD Operation Order

OPS Operations

ORM Operational Risk Management

Operational Risk Management A process that assists organizations and individuals in making informed risk decisions in order to reduce or offset risk; thereby increasing operational effectiveness and the probability of mission success. It is a systematic, cyclical process of identifying hazards and assessing and controlling the associated risks. The process is applicable across the spectrum of operations and tasks, both on and off duty.

ORM Assistant Designated unit level individual who is a subject matter expert (SME) on ORM principles and concepts, qualified in accordance with OPNAVINST 1500. 75(series), and supports the command ORM manager in implementing risk management within the unit.

PHA Preliminary Hazard Analysis

PPE Personal Protective Equipment

PO Petty Officer

PQS Personal Qualification Standard

Preliminary Hazard Analysis A means to create an initial list of hazards that may exist in an operation, task, or mission. This builds on the operational analysis and entails listing hazards and associated causes.

Probability A measure of the likelihood that a potential consequence will occur.

RAC Risk Assessment Code

Residual Risk Risk remaining after controls have been identified and selected.

Resource Something that can be used to develop controls and includes time, money, people or equipment. With respect to Time Critical Risk Management (TCRM), a resource is something used to prevent errors, speed up decision making, or improve team coordination. Resources are typically developed as controls at the in-depth or deliberate levels of risk management. They are broadly grouped into the following categories: Policies, procedures and routines; checklists; automation; briefings and external resources; and knowledge, skills and techniques.

Risk An expression of possible loss, adverse outcome, or negative consequences; such as injury or illness in terms of probability and severity.

Risk Assessment A structured process to identify and assess hazards. An expression of potential harm, described in terms of severity, probability, and exposure to hazards. Accomplished in the first two steps of the ORM process.

Risk Assessment Code An expression of the risk associated with a hazard that combines its severity and probability into a single Arabic numeral which can be used to help determine hazard abatement priorities. This is typically accomplished through the use of a risk assessment matrix. The basic RACs are: 1-Critical, 2-Serious, 3-Moderate, 4-Minor, and 5-Negligible.

Risk Decision The decision to accept or not accept the risk(s) associated with an action; made by the commander, leader, or individual responsible for performing that action.

Root cause Any basic underlying cause that was not in turn a result of more important underlying causes. Describes the depth in the causal chain where an intervention could reasonably be implemented to change performance and prevent an undesirable outcome. The analysis of a hazard may identify multiple causes; however applying controls to the root cause is ultimately more effective than merely addressing an intermediate cause.

Severity An assessment of the potential consequence intensity that can occur as a result of exposure to a hazard and is defined by the degree of injury, illness, property damage, loss of asset (time, money, personnel) or

mission or task impairing factors. When analyzing risk, it is based on the worst credible outcome.

Situational Awareness (SA) Refers to the degree of accuracy by which one's perception of the current environment mirrors reality

Task Loading The number of tasks to complete, given a set period of time. Higher task loading increases the potential for error. Task loading can be reduced by either reducing the number of tasks or taking more time.

TCRM Time Critical Risk Management

TFOM Training Figure of Merit

Threat See hazard. With respect to ORM, threat and hazard are considered synonymous.

TORIS Training and Operational Readiness Information Services

TRACS Total Risk Assessment and Control System

Unacceptable Risk The risk when measured versus the benefit or value of the mission or task that cannot be tolerated and must be eliminated or controlled.

What If Tool A means of thinking about what may go wrong and stating it as a question beginning with the phrase..." What if...?" This method is most useful for personnel who are actually involved in the operation being analyzed and adds insight to some of the more significant hazards identified with the preliminary hazard analysis (PHA).

WIT "What IF" tool