Power to influence

Organisations behave like conscious superorganisms – comprising structures and processes that collectively deliver their purpose, equitably satisfy stakeholders and make the best use of resources. Optimising performance requires management attention to be focused on the organisation’s ‘normal product/service delivery’, ‘contingency’ and ‘change’ and ‘management controls’ and processes. An integrated management approach is essential because it is these same physical and virtual structures and processes that give rise to the multiple dimensions of performance that impact product/service quality, health, safety, environment, financial, information, security and reputation.

Last month we introduced MSS 1000 as a universal management system standard that facilitates the creation of fully integrated management systems without boundaries, addressing the totality of the management of an organisation, irrespective of size and type. Now we look at how it promotes a holistic management of uncertainty.

The standard takes a holistic approach to managing the potential myriad of uncertainties that may confront an organisation.

The standard requires that organisations:
- identify the significant stakeholders, their needs, expectations, aspirations and their power to influence the organisation.
- overall success depends on seeking to reasonably maximise gain while minimising loss as judged by each of the stakeholders.
- likely potential loss is expressed as risk – prospect and risk – are a natural upside and downside pair containing an uncertainty element, and contrast with other typical upside and downside pairs such as ‘credit and debit’ and ‘opportunity and threat’ (as shown in Figure 1). The three principal classes of upside and downside terminology used in MSS 1000 are: already realised outcomes, outcomes that may potentially occur, and likely gains or losses. The identification of potential outcomes precedes the assessment of likely outcome based on or informed by actual past or present outcomes data within our knowledge.
- the full cycle of prospect and risk assessment is shown in Figure 2 and is elaborated in considerable detail within the standard including examples of qualitative unified prospect and risk rating scales and how assessment can be used to drive proportionate planning and monitoring.
- Throughout the standard, MSS 1000 seeks to add value to an organisation by improving its physical and virtual structures and processes to increase prospects and reduce risk. Two principal complementary approaches are employed. One is the adoption of generic prospect and risk improvement practices, for example not assigning personnel to posts, roles, of tasks unless they are competent or appropriately supervised. The other is to conduct appropriate prospect and risk assessments as in Figure 2, in order to develop proportionate prospect and risk improving controls. These two approaches operate within a ‘plan, do, check, act’ management cycle explained in last month’s article. It should be noted that safety and security are the only two that are concerned with preventing loss by managing risk – the others, including commerce, goods/services quality, reputation, health and environment need to address the management of prospect and risk in a holistic and balanced way.
- Prospect is sometimes referred to as negative risk, but it is far too important not to have an unequivocal name. It is the pursuit of gain through the intelligent and creative maximising of prospects which is the principal driver that delivers an organisation’s purpose.
- Typical prospects of improving stakeholder satisfaction include securing a given sized contract, employing personnel of a desired capability, growing the company to a particular size, capturing a given portion of the market, achieving a given level of customer satisfaction etc. Prospect is not just the mirror of risk but takes the lead in decision making processes. Planning involves first identifying and assessing the potential prospects capable of delivering the purpose of the organisation, adding value and equitably satisfying the needs, expectations and aspirations of stakeholders while making the best use of resources. However, risks of various types will inevitably be associated with each potential prospect adding to the complexity of decision making and the need to equitably balance the multiple prospect/risk requirements of stakeholders (see Figure 3).
- Taken on its own, risk is always bad and should be avoided but inevitably risks have to be taken in order to reap the benefits from exposure to prospect – prospects and risks inextricably co-exist. Plotting prospects and the associated risks on a prospect/risk diagram can help create a good conceptual model and get things in perspective prior to making a decision (Figure 4). The realisation of prospects and risks may occur instantaneously or gradually over time, for example an explosion or a slow deterioration in health, the loss of a key customer or the slow decline of sales.
- An acceptable balance of prospect(s) and risk(s) for a particular organisation depends on what they are and the degree that they impact stakeholder needs, expectations and aspirations. Differing stakeholder views, their prospect and risk tolerabilities and their power to exercise influence makes decision making even more challenging and necessitate the exercise of pragmatism and good judgment.

The standard requires that organisations define their own arrangements for ensuring that stakeholder requirements are determined and that prospect and management controls are established. These should be based on or informed by appropriate qualitative or quantitative prospect and risk assessments conducted only to a degree that adds value or to comply with a stakeholder requirement, such as regulatory compliance. Prospect and risk management can never be perfect and can only be justified when it adds value.

The standard can be downloaded for free at http://bit.ly/1Ple4QG.

Ian Dalling chairs the CQI Integrated Management Special Interest Group, serves on the IRSM Technical Committee and led the creation of MSS 1000:2015.