



# Best Management Practice

For Portfolio, Programme, Project,  
Risk and Service Management



# OGC

**Everything you wanted to know about  
Management of Risk: Guidance for Practitioners  
(M\_o\_R®) in less than one thousand words**  
by Graham Williams

White Paper  
May 2009

# Management of Risk: Guidance for Practitioners (M\_o\_R®)

The M\_o\_R guide is intended to help organisations put in place an effective framework for taking informed decisions about the risks that affect their performance objectives across all organisational activities, whether these be strategic, programme, project or operational.

M\_o\_R defines risk as “an uncertain event or set of events which, should it occur, will have an effect on the achievement of objectives. A risk consists of a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives”. Within this definition ‘threat’ is used to describe an uncertain event that could have a negative impact on objectives or benefits; and ‘opportunity’ is used to describe an uncertain event that could have a favourable impact on objectives or benefits.

The first edition of this guide was published in 2002 in response to the Turnbull Report to provide a generic framework for risk management across all parts of an organisation. The second edition, published in 2007, was produced to reflect the further developments in the world of risk management such as:

- In the UK public sector HM Treasury had revised its Orange Book which outlines the principles and concepts of risk management.
- In the private sector change had been instigated by new regulatory environments such as the Combined Code on Corporate Governance 2006 (UK), Basel II Accord 2004 (Europe), and Sarbanes-Oxley 2002 (US).

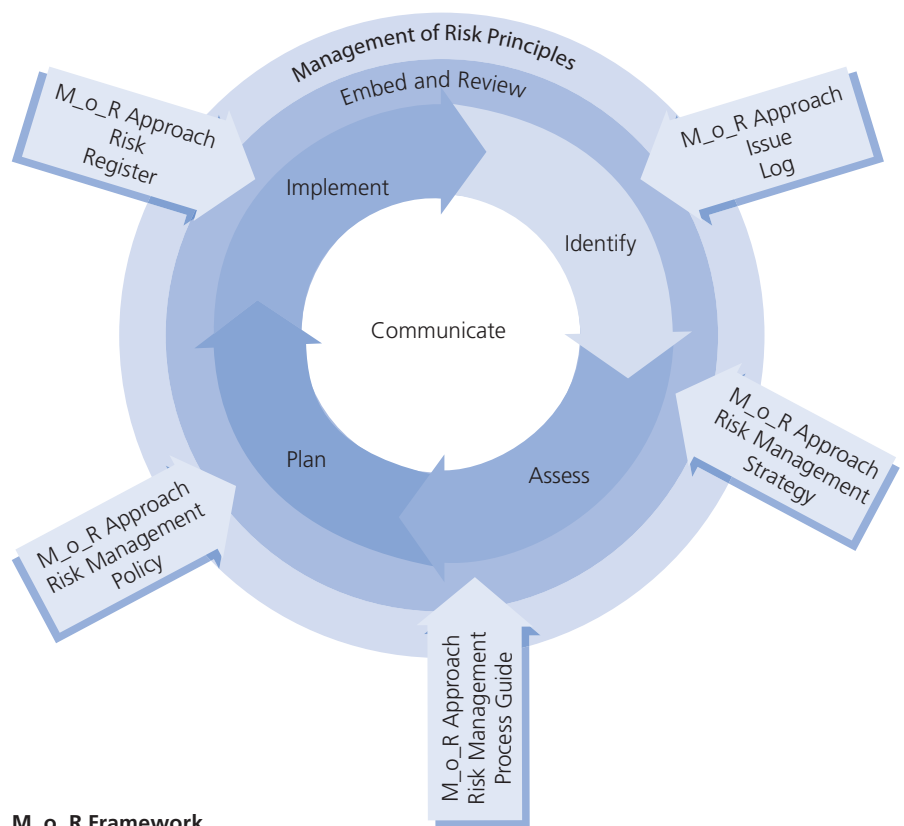
## The M\_o\_R Framework

The M\_o\_R framework is based on four core concepts of:

- M\_o\_R Principles. These are essential for the development of good risk management practice. They are all derived from corporate governance principles in the recognition that risk management is a subset of an organisation’s internal controls.
- M\_o\_R Approach. The principles need to be adapted and adopted to suit each individual organisation. Accordingly, an organisation’s

approach to the principles needs to be agreed and defined within a Risk Management Policy, Process Guide and Strategies, and supported by the use of Risk Registers and Issue Logs.

- M\_o\_R Processes. There are four main process steps, which describe the inputs, outputs and activities involved in ensuring that risks are identified, assessed and controlled.
- Embedding and Reviewing M\_o\_R. Having put in place the principles, approach and processes, an organisation needs to ensure that they are consistently applied across the organisation and that their application undergoes continual improvement in order for them to be effective.



**M\_o\_R Framework**

## Principles

M\_o\_R principles are not intended to be prescriptive but provide supportive guidance to enable organisations to develop their own policies, processes, strategies and plans to meet their specific needs. They are evolutionary in nature in that the way they are applied may need to change over time to reflect changes in circumstances.

The twelve principles are shown in the M\_o\_R Principles diagram below.

## Management of Risk Approach

The way in which the M\_o\_R principles are implemented will vary from organisation to organisation. Collectively they provide a base on which the organisation's risk practices can be developed. These practices describe how risk management will be undertaken throughout the organisation, i.e. the M\_o\_R approach.

To capture and communicate these practices it is common to create a series of living documents called:

- Risk Management Policy
- Risk Management Process Guide
- Risk Management Strategies
- Risk Register
- Issue Log.

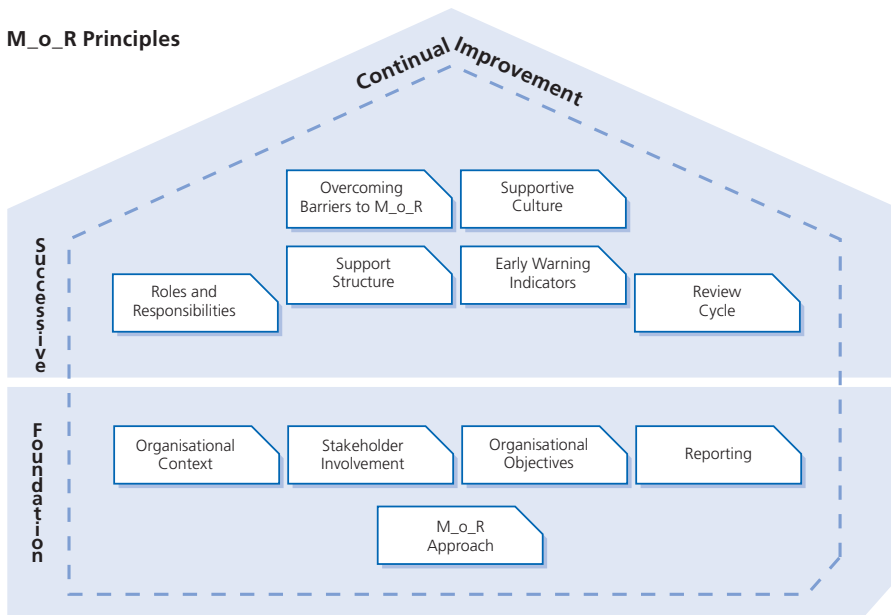
## Management of Risk Processes

The M\_o\_R process diagram shows the overall risk management process, consisting of four main steps represented as a circle of arrows, as it is common for the entire process to be completed several times in the lifecycle of an organisational activity. The activity 'Communicate' deliberately stands alone as the findings of any individual step may be communicated to management for action prior to completion of the overall process.

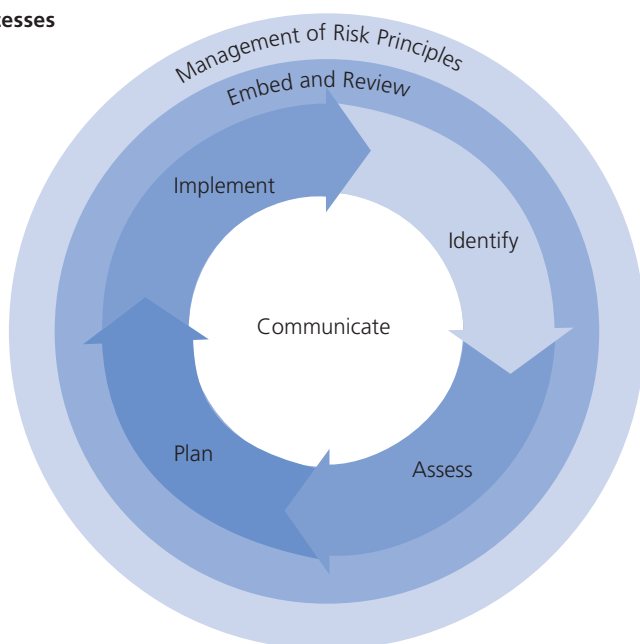
## Embedding and Reviewing Management of Risk

Risk management needs to be integrated into the culture of the organisation. How an organisation manages its risks demonstrates a part of that organisation's core values and improves stakeholder confidence in the organisation's ability to cope with and manage its risks. The organisation therefore needs to ensure that risk management has been integrated effectively, has the necessary support, is addressed in an appropriate way and is successful. A key component of the management of risk integration is the cultural acceptance and change required to embed management of risk principles and values within the organisation. This can best be achieved

M\_o\_R Principles



M\_o\_R Processes



through a structured programme of activities that lead to the achievement of risk knowledge, understanding and education.

An organisation needs to be able to measure the effectiveness and appropriateness of risk management, including the organisation's progress in embedding management of risk, and also its ability to develop its management of risk capability and maturity. The latter can be assessed using a maturity model and the appropriateness of risk management can be assessed against the organisation's risk appetite.

## Acknowledgement

- M\_o\_R® is a Registered Trade Mark of the Office of Government Commerce in the United Kingdom and other countries
- The Swirl logo™ is a Trade Mark of the Office of Government Commerce.

## For Further Information

- [www.ogc.gov.uk](http://www.ogc.gov.uk)
- [www.tsoshop.co.uk](http://www.tsoshop.co.uk)
- [www.usergroup.org.uk](http://www.usergroup.org.uk)
- [www.apmgroup.co.uk](http://www.apmgroup.co.uk)

## Author

Author – Graham Williams  
Principal Consultant  
GSW Consultancy Limited

## Copyright Statement

Our White Paper series should not be taken as constituting advice of any sort and no liability is accepted for any loss resulting from use of or reliance on its content. While every effort is made to ensure the accuracy and reliability of the information, TSO cannot accept responsibility for errors, omissions or inaccuracies.

Content, diagrams, logo's, jackets are correct at time of going to press but may be subject to change without notice.

© Copyright TSO and Graham Williams

Reproduction in full or part is prohibited without prior consent from the author.