

Introduction to Operational Risk Management (ORM)

CAP officially adopted ORM in May 1997. This Introduction will familiarize you with the ORM process and the basic principles and objectives associated with this risk management approach. This synopsis will provide an overview of what the process is, a description of the steps and how informed risk decisions can make our organization safer, more effective and mission capable. For more details, visit the websites listed at the end of this document.

- What is ORM? It's a logic-based, common sense approach to making calculated decisions on human, material and environmental factors associated with any type of activity. Simply put, it's a methodical, six-step process to manage inherent risk.

- Why ORM? Since risk has always been present on planet Earth, mankind has always dealt with those risks through intuition and memories of past experiences. Success, using this method, has always been, and will continue to be, hit and miss. The ORM process allows systematic risk decision-making that manages risk as part of the whole operation, reduces mishaps and improves the cost-benefit ratio by lowering risk. The end result is that we are safer, our resources are conserved and our operational capability is optimized.

- How do you do it? Step by step. Here's the process:

1. Identify the hazards: A hazard is simply a condition that could cause loss. Hazards give no indication of its mission significance. Focus on what is at risk and list potential hazards.

2. Assess the risks: Here, we examine each hazard and determine the exposure, severity and the mishap probability associated with our activity. After a hazard is analyzed, risk can be established. Using the Risk Assessment Index, prioritize the hazards into levels of risk and work on the worst one first. Managers want to deal in risk rather than hazards because hazards do not have an explicit mission connection.

3. Analyze risk control measures: Determine which risks can be eliminated, reduced or controlled in some manner. If you did the previous step correctly, you'll know which one to concentrate on first. A risk control must change the risk by impacting the exposure, severity or the probability of a mishap. Controls usually cost something in terms of an investment of time or money. Prioritize these control measures to get the most "bang for your buck".

4. Make control decisions: This step involves two actions. First, select the best possible risk controls. Next, decide if those controls will assure that the benefits will outweigh the costs. This decision making process should involve the right person making the decision at the right time, based on the right inputs. Who's the right person? Whoever has the best grasp of the risk and the opportunity issues. The organizational leaders should push the average risk decision down the chain of command over time because the detail and understanding of the decision implications increases the closer you get to the principle participants of an activity.

(However, this only works if the leaders at the lower levels have grasped the overall implications of ORM.) Don't think that just because risk is present, you should avoid the activity -- if you do, you'll head towards eventual defeat. Always go for the risk when total benefits outweigh total costs. Always reject the risk when total costs outweigh total benefits. What is the difference between a bold, prudent, decisive risk and a gamble? Information and the process used to make the decision -- ORM.

5. Risk control implementation: The key here is for the risk controls to truly be integrated within the plans, processes and operations with which they are associated. Without integration, it won't be nearly as effective. For the controls to be successful, the implementation must be clear to everyone, there must be accountability and leadership must provide support.

6. Supervise and review: When risk controls are properly integrated, the supervision of them is just like any other leadership action -- this is the prime reason for the emphasis on completely integrating the risk controls. Review is the systematic measurement of whether or not the benefit was worth the cost. This is the management aspect of ORM.

Risk management can be accomplished on three levels. While it would be preferable to perform an in-depth application of risk management for every mission or task, time and resources may not always be available. One of the objectives of risk management training is to develop sufficient proficiency in applying the process so that risk management becomes an automatic part of the decision-making methodology during CAP activities and your personal time.

The three ORM levels are deliberate, time-critical and strategic. Deliberate ORM is the application of the complete process. It primarily uses experience and brainstorming to identify hazards and develop controls and is therefore most effective when done in a group. Examples of deliberate applications include the planning for a flight clinic, cadet activity or disaster response planning. Deliberate ORM usually takes place well in advance of an activity - in the planning stages when there's plenty of time to methodically go through the steps and develop informed risk decisions. This is where we should try to get most ORM done. Early, deliberate ORM in the planning stages helps to fully integrate risk controls into activity plans.

On the other hand, time - critical ORM, is just what the name implies. It's an "on-the-run" mental or verbal review of a situation using the basic risk management process without necessarily recording the information. This time-critical process of risk management is employed to consider risk while making decisions in a time-compressed situation. This level of ORM is used during the execution phase of an operation as well as crisis response situations. Time-critical ORM is particularly helpful for choosing the appropriate course of action when an unplanned event occurs during execution of a planned operation or daily routine.

Strategic (or in-depth) ORM is used to study the hazards and associated risks in a complex operation in which the hazards are not well understood. This level is a long-term application that involves research, various analysis tools and long-term tracking of the associated hazards. This level of ORM is typically used for high-visibility risks and requires a lot of time and resources.

It's important to understand that not only should we be targeting our risk issues, we should use ORM to systematically target risk barriers in order to expand operational capabilities and increase training realism. As a general rule, about half the effort expended on ORM should be directed to expanding operational capabilities and effectiveness. The other half is directed at reducing various types of risk.

Throughout aviation history, a certain degree of risk management has been done prior to flight. I recall an old Army Air Corps rule prohibiting the wear of spurs while flying. Somebody saw a hazard with an associated risk that needed mitigation. They didn't know it at the time, but they were doing ORM. Some might call this common sense, but accidents show this sense to not be so common. I do believe a time-critical ORM can and should be done prior to every flight. Look for hazards in your preflight activities. If you find some, assess the risk associated with them. Eliminate, reduce or control the risks in some manner. After making your risk control decisions, determine if the benefits of the activity outweigh the costs. If they do, accept the risk and proceed with the activity. A time-critical ORM can easily be done concurrently with your preflight activities.

ORM provides a logical and systematic means of identifying and controlling risk. ORM is not a complex process, but it does require individuals, supervisors and leaders to support and implement the basic principles on a continuing basis. ORM offers individuals and organizations a powerful tool for increasing effectiveness and reducing mishaps. The ORM process is accessible to and useable by everyone in every conceivable setting or scenario. It ensures that all CAP personnel will have a voice in the critical decisions that determine success or failure in all our missions and activities. Properly implemented, ORM will always enhance mission performance.

Don't gamble with risk -- Manage it decisively with ORM.