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Managing institutional risk for Veterinary Services

G. Solomos [(1)] & T.F. Randolph [(2)*]

(1) CGIAR System Management Office, 1000 Avenue Agropolis, F-34394 Montpellier Cedex 5, France

(2) International Livestock Research Institute, P.O. Box 30709, Nairobi 00100, Kenya

*Corresponding author: t.randolph@cgiar.org

Summary

The use of institutional risk assessment and management, considered best practice in management sciences, is not systematically used across public Veterinary Services. Chief Veterinary Officers and their teams often lack exposure to or training in the application of this type of institutional risk assessment. This paper describes the essential elements of institutional risk assessment and how it might be applied within the context of Veterinary Services.

Keywords

Institutional risk – Veterinary Services.

Introduction

A recent survey of how Veterinary Services perceive external factors affecting their future priorities, roles and performance highlighted the role of strengthening assessment of such factors as part of institutional planning, making better use of foresight and risk assessment (1). It is important to differentiate between the type of epidemiological risk assessment that Veterinary Services undertake to evaluate the threat of a disease being introduced or transmitted, and the type of institutional risk assessment and management that is now considered best practice in management sciences. Methods and protocols are well-defined for epidemiological risk analysis, such as those described by MacDiarmid and Pharo (2), and are routinely applied to transboundary diseases in trade and to issues of food safety. Veterinary Services often have capacity in-house to undertake epidemiological risk analysis, and also draw from academic expertise as occurred, for example, during the highly pathogenic avian influenza outbreaks in the first decade of the 2000s. This type of technical, typically quantitative risk analysis – the results of which are often published – should not be confused with institutional risk management, a management process that leadership teams undertake internally to improve their focus and

effectiveness in reaching strategic objectives. In the survey mentioned above, a majority (59%) of the 86 national Veterinary Services participating reported conducting analyses of institutional risk, but discrepancies in answers suggested some confusion between the epidemiological and institutional approaches. Only a subset of 25 country services appeared to have applied institutional risk assessment systematically. To date, institutional risk assessment and management is therefore still limited across public Veterinary Services, which is not surprising given professional advancement in these services has conventionally focused on technical expertise or political considerations rather than management skill sets. Chief Veterinary Officers and their teams often lack exposure to or training in the application of this type of institutional risk assessment. This has been borne out by many of the recent assessments of public Veterinary Services undertaken using the World Organisation for Animal Health (OIE) Tool for the Evaluation of Performance of Veterinary Services (PVS Tool), which have found Veterinary Service management is usually highly bureaucratic and focused on administrative tasks rather than strategic planning (3). In the survey conducted by Grace et al. (1), national Veterinary Services indicated the need to strengthen their capacity in this area to better manage increasing uncertainty associated with a range of external factors. This paper describes the essential elements of institutional risk assessment and how it might be applied within the context of Veterinary Services.

The development of institutional enterprise-wide risk management

All types of organisations face uncertainty due to external or internal factors which may have a negative or positive effect on the organisation's ability to reach its objectives. The effect of this uncertainty on objectives is defined by the International Organization for Standardization (ISO) 31000 international standard on risk management (4) as "risk". Therefore, dealing with risk when setting the strategy and working towards objectives has become increasingly accepted as an integral part in managing any organisation. The set of coordinated activities that can be followed to direct and control an organisation with regard to risk is defined as risk management.

Historically, risk management activities were associated mainly with the insurance industry aiming to protect companies and individuals from losses related to accidents. Over the last fifty years, risk management was also introduced in financial management to hedge against risks and reduce regulatory capital (5). Over the last two decades, there has been a major shift in how the role of risk management is perceived by corporate leaders and stakeholders. Today, across institutions and businesses, risk management is seen as an enabler to create value as well as protecting it. Moreover, strategic failures, disruption of established business models, corporate governance scandals, global financial crises, man-made or natural disasters and the

interconnectedness of risks have highlighted the need for an enterprise-wide approach to institutional risk management. This approach suggests a holistic view of risks the organisation faces rather than in isolation within separate departments and functional areas. It is also important to stress that risk management is much more than an inventory of risks the organisation faces: it is the culture, capabilities, and practices that organisations integrate with strategy and performance to preserve and create value (6) (Figure 1).

One of the key benefits from successful implementation of risk management is better informed strategic decisions taken with respect to opportunities and risks. Another benefit is increased ability to reach objectives in an effective and consistent way. Risk management can also assist in enhancing confidence in the organisation by providing transparency and visibility on key risks the organisation faces and the actions to manage those. Additionally, by proactively identifying and managing risks, an organisation can improve efficiency in maintaining legal and regulatory compliance in relation to evolving and forthcoming changes.

How risk management can be applied

Based on principles set out in the ISO 31000 international standard on risk management (4), for risk management to succeed it needs to be integrated in organisational activities rather than operate in a standalone mode. It must also follow a structured and comprehensive approach and be customised and proportionate to the organisation's internal and external environment. Key stakeholders must be efficiently and effectively engaged along the process which must remain dynamic to anticipate and address timely any changes in the risk landscape. Risk management is based on best available information and should always account for human behaviour and culture influence. Risk management should improve continuously.

An illustration of the risk management process and its key components is set out in Figure 2.

To support the risk management process, it is necessary to define the risk framework in terms of risk architecture, strategy and protocols, key elements of which are shown in Figure 3 below (1).

Prior to looking at the different components of the process, the importance of communication to promote awareness on institutional risk management should be emphasised. Equally important is the engagement with stakeholders to ensure that there is accurate and timely exchange of information on risks ('communicate and consult' element in Figure 2).

The following sections elaborate further on the components of the risk management process in Figure 2.

Define the scope, context and criteria of risk activities

This step is about understanding the organisation's internal and external environment and setting the scope of the risk management activities. It includes defining criteria in relation to the amount and type of risk the organisation is willing to accept (risk appetite) in pursue of its strategic objectives and creation of value, as well as definitions and metrics to ensure consistency in the process and alignment with stakeholders.

Risk assessment to identify, analyse and evaluate risks

Risk identification

There are various techniques to identify risks including workshops with cross-functional representation, scenario analysis sessions, surveys/questionnaires, analysis of strengths, weaknesses, opportunities and threats, and other methods. It is important that risk identification is not limited during planned risk assessment activities only but is integrated in teams, units or management discussions within other performance monitoring and management processes. To facilitate discussions, risks may often be grouped into different categories such as strategic, financial, operational, legal/regulatory, reputational, health and safety or other, depending on the organisation's internal and external environment.

Risk analysis

Following risk identification, an analysis of key causes, effects, likelihood or impact and existing mitigation or controls should be carried out.

Risk evaluation

This step is about deciding on further actions needed. Options may vary and should be guided in relation to risk criteria set earlier in the process. For example, the organisation may decide to accept, reduce or increase current level of risk according to its risk appetite or even to reconsider objectives set.

Treat risks

The specific actions to achieve the agreed level of risk should consider factors including feasibility, timeframe and related impact on costs or resources.

Monitor and review

Reviewing and monitoring risks as well as the risk management process and its deliverables are important to ensure that risks are managed and the process remains dynamic and fit for purpose. Lessons learned should be considered to improve the process itself, strategic decision-making or decisions on risk treatment moving forward.

Report and maintain records

Reporting the outcomes and steps followed is important to enhance risk accountability and provide visibility to different audiences in relation to decision-making or assurance. A risk register is usually maintained for this purpose; an example is provided in Appendix 1. In larger organisations, each division or function within the organisation typically maintains a register of risks relating to its area of operation, the top items of which are shared and reviewed cross-functionally/divisionally by management.

Figure 4 provides an overview of a monitoring and reporting mechanism that can be followed throughout the year to review top (principal) risks and other risks (to be adjusted based on the organisation's risk strategy). These reviews should be integrated with the organisation's performance review cycle rather than held in a standalone mode.

Actions that can be taken to strengthen risk management capacity

The following actions could be undertaken to strengthen further risk management capacity within an organisation.

1. **Agree on scope and objective of risk management**

   Agree on scope and objective of risk management (organisation-wide) with key stakeholders, set priorities and related timeframe.

2. **Define the appropriate architecture and assign resources / responsibilities**

   In parallel to Action 1 above, map existing or necessary resources across the organisation to create a network of risk experts to work towards agreed priorities, architecture and approach.

3. **Integrate work on external factors**

Integrate work completed on external factors into strategy planning and review how current strategy of the organisation and its stakeholders addresses risks and opportunities arising from these factors. Update existing (or develop) risk registers to ensure that any changes to objectives are considered and clear ownership is in place.

4. **Start integrating elements of risk management into selected organisational processes and governance activities**

These may include performance, project or executive management reviews, corporate governance activities, risk management processes within finance, funding, information systems, human resources and other functional areas. Ensure that this is done based on perceived benefit and value through consultation and engagement with key stakeholders.

5. **Set the foundation for risk management culture**

Consider a communication and training plan to ensure that open discussion on risks and mitigations can be initiated and learning from mistakes is encouraged. Ensure that senior management and its governance bodies set the tone and lead by example.

Organisations often rely on management consulting services initially to help design and introduce a risk management system and processes that management within the organisation subsequently owns and takes responsibility for taking forward. These services generally promote a specific risk management model that embody the principles and components described above, but which is adapted to the specific context and needs of the organisation.

Applying risk management to Veterinary Services

It could be argued that this approach to institutional risk management has limited relevance to national Veterinary Services. Veterinary Services are, after all, a public sector agency with a well-defined role and clearly defined technical services to deliver. Their primary management challenges are to provide services as effectively and efficiently as possible to protect and improve health-related productivity within the livestock sector, while remaining prepared to respond quickly and effectively to any disease threat that may emerge. But maintaining such preparedness and adapting to an ever-changing environment and ever-changing needs of stakeholders require continuous reassessment of a range of internal and external factors – some of which are known and many as yet unknown – if the service is to achieve its mission successfully. The type of risk management framework described in the preceding section is therefore just as relevant to managing Veterinary Services as it is to private companies and other organisations.

Table I provides an outline of the types of risk relevant to managers of Veterinary Services, including illustrative examples. The categories cited draw from those that have typically been found useful to describe the range of threats and opportunities to an organisation or business, but also align well with the four Fundamental Components underpinning the OIE PVS Tool (2):

1. the human, physical and financial resources to effectively plan, coordinate and implement activities within the veterinary domain covering all necessary elements and at all levels, in the national interest;

2. the technical authority and capability to address current and new veterinary issues based on scientific principles, including the preparedness, prevention, detection and control of animal diseases, addressing veterinary public health risks including from zoonoses and food safety, and improving animal welfare;

3. the sustained interaction with non-government stakeholders in order to harness non-government expertise and support the growth and protection of livestock production and markets in the country based on stakeholders' needs; and

4. the ability to access markets through harmonising with existing international standards, and by demonstrating overall system integrity and transparency, to inspire confidence in trading partners.

Framing the types of risk based on the PVS Fundamental Components could be particularly strategic since the PVS Evaluation results provide an external measure that can help the management of Veterinary Services to rank and monitor the corresponding risks.

A first set of risks relate to the principal resources managed by Veterinary Services to achieve its mission, encompassing its human, financial and physical assets. These revolve around the challenge of securing and protecting an adequate quantity and quality of the resources needed to fulfil the agency's mission. While many aspects of the agency's access to these resources are defined by the bureaucratic structures and political environment within which the agency operates, there are a number of ways the management of Veterinary Services can proactively influence its access or identify other strategies to supplement their resources.

Another set of risks relates to operational, legal and regulatory issues that potentially affect agency to implement its current activities effectively. If these risks are not effectively managed, trading partners may lose confidence and close their markets to the livestock sector the agency is meant to protect.

Beyond immediate factors that can affect current operations, a final set of risks take a longer-term perspective on the continued viability of Veterinary Services, giving attention to reputation and anticipating future needs of its stakeholders and the role it could play. The approach outlined here for institutional risk assessment provides a framework to give perspective to, for example, the future scenarios developed in Grace *et al*. (1) and whether management considers action is merited to adapt accordingly taking into consideration the range of other risks faced by the agency.

An illustrative example of applying the approach is summarised in Appendix 1 as an entry in the risk register of a Veterinary Service facing the challenge of recruiting and retaining the critical staff it needs to effectively carry out its mission. The management team has assessed it as an important risk, analysed its causes and its impact, ranked it, and identified what is currently being done, what more could be done to address it, and who is responsible for managing the risk.

In many organisations, institutional risk assessment is an internal exercise undertaken by the management team, the results of which are often reviewed within the organisation's governance body. As government departments, Veterinary Services are usually subject to direct bureaucratic oversight and do not have a formal governance structure. Consulting with stakeholders in conducting or reviewing the management team's risk assessment could offer an opportunity to improve communication and transparency for the agency's clients. It could also align well with the continued development of the OIE PVS processes.

There is no simple recipe for adapting the institutional risk framework to the specific context of an organisation. The practice is usually to engage expert consultant services to guide the design of the process and coach the management team through an initial cycle of the process while building capacity internally. The OIE could play a critical role in developing a harmonised approach and support interested Members to adopt and incorporate institutional risk assessment, drawing from and documenting those national services already applying it, and thereby strengthening management capacity to improve the performance of Veterinary Services.

Résumé français: titre

Résumé

Mots-clés

Resumen español: título

Resumen

Palabras clave

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Table I

Examples of institutional risks relevant to Veterinary Services

Area	Generic examples of risks relevant to Veterinary Services
Financial	Operations – Disruption in short-term funding affects ability to perform functions – Unstable or declining public funding in the longer term reduces ability to perform functions and deliver on mandate – Inability to attract donor project funding to address priority challenges Emergency funding – Insufficient emergency funding available when needed, inhibiting timely response and creating perception of poor performance – Unable to attract donor funding to address emergencies
People	Staff – Unable to attract and retain staff with the necessary technical skills, limiting ability to perform functions – Inadequate succession planning leading to loss of knowledge and key skills – Inadequate attention to medium and longer-term training and capacity development leading to limited pool of qualified professionals – Inadequate investment in continuous professional training leads to staff out-of-date and out-of-touch with current best practices Management – Instability in management team due to changing political environment – Non-optimal management team quality due to emphasis on political rather than technical and professional selection criteria – Inadequate investment in continuous professional management training leads to the management team being out-of-date and out-of-touch with current best practices Health and Safety – Inappropriate conditions at workplace or lack of appropriate equipment and training for normal or emergency operations impact staff safety and security

Physical assets	Offices, laboratory, vehicles – Insufficient investment and maintenance lead to deterioration and obsolescence of infrastructural capacity, reducing ability to perform functions and respond to emergencies – Lack of investment to upgrade in new technology limits ability to respond to evolving veterinary threats (e.g. emerging disease) and responsibilities (e.g. food safety)
Operational	Routine – Weak planning and management culture leads to poor performance in delivering services and impact indicators – Inadequate disease surveillance, control and response leads to disease outbreaks that affect national production and markets, and/or reduces access to external markets – Weak cyber-security contributes to business disruptions and potential compromise or loss of sensitive data Emergency response – Lack of planning to ensure business continuity under a range of emergency scenarios limits ability to provide services and respond when critically needed – Weak preparedness planning, including ensuring appropriate capacity and timely access to emergency resources, limits ability and timeliness in responding to novel disease outbreaks that affect national production and markets, and/or reduces access to external markets – Animal or zoonotic disease threat emerges that cannot be controlled using conventional technologies and approaches
Effectiveness	Technical authority – Weak technical capacity and inappropriate or ineffective implementation reduces confidence of international trading partners and organisations and reduces compliance among national stakeholders
Legal	– Inadequate regulatory framework anticipating veterinary interventions to control disease outbreaks contributes to confusion and delays, and possibly to legal challenges by stakeholders against perceived overstepping by Veterinary Services – Insufficient consultation with other line ministries and agencies leads to misaligned or contradictory policies, creating need for litigation
Regulatory	Access to markets – Inability to establish appropriate and effective regulatory framework and compliance to meet trade partners' requirements leads to restricted access to external markets for national livestock sector

Strategic	– Veterinary Services strategy or structure not fit for purpose – Failure to deliver expected value through key strategic transformation initiative Maintaining relevance – Failure to monitor and understand evolving trends affecting the livestock sector does not allow the Veterinary Services to manage pro-active and timely adjustments and preparations, instead leading to having to adopt late, reactive, often rushed actions Reputational – A public scandal about mismanagement or fraud concerning financial or human resources or professional ethics weakens confidence of stakeholders and funders in supporting Veterinary Services – Weak compliance with regulatory and disease control measures leads to lower confidence of trading partners in the capacity of the Veterinary Services to ensure adequate biosecurity – Inappropriate handling of and communication about disease issues or outbreaks leads to weak consumer confidence and scares that impact the livestock sector

Fig. 1

Risk management targets creating value

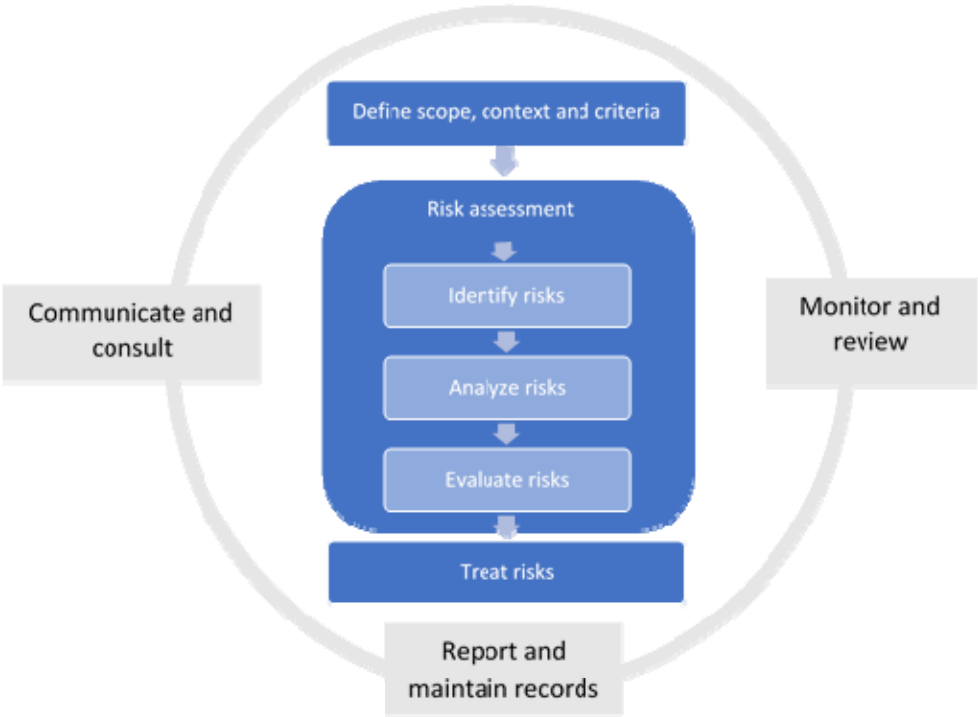

Fig. 2

Risk management process, adapted from ISO 31000:2018, the international standard on risk management (4)

Risk Architecture	Risk Strategy	Risk Protocols
Roles and responsibilities of individuals and committees that support the risk management process Risk communication and reporting structure	Risk strategy and risk activities scope Risk appetite Attitudes and philosophy(defined in the risk management policy for the organisation)	Risk guidelines that include rules, procedures, methodologies, tools and techniques to implement the risk strategy

Fig. 3

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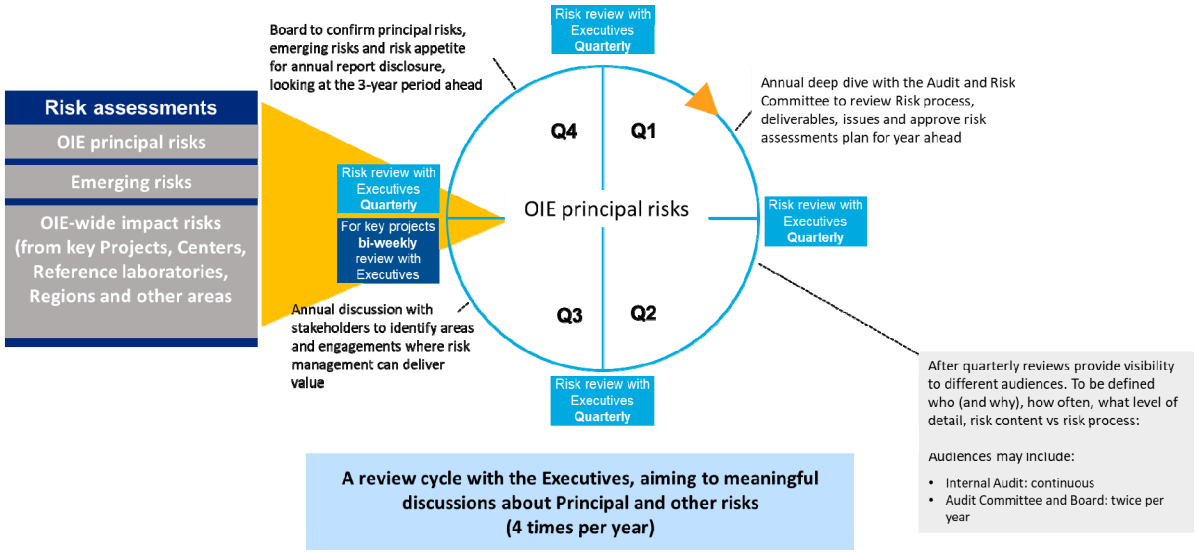

Fig. 4

Risk management cycle.

Appendix 1

Examples of how the risk of 'Failure to attract and retain talent risk' can be recorded and tracked through a risk register

No.	Area	Risk / Opportunity	Potential causes	Effect / Description	Actions in place	Further actions	Current level (low 1-9 high)	Target level (low 1-9 high)	Ownership	Status / deadline
12	People	Failure to attract talent (example)	• Organization's brand not well known • Unattractive job descriptions • Unattractive employee value proposition including compensation and benefits policies	• Unable to deliver on strategy • Overstretched existing resources leading to staff burn-out	• Compelling mission of Organization • Compensation package benchmarking (exit interviews provide additional input)	• Implement applicants' data KPIs to assess number and quality of applicants per vacancy and offers rejection rate • Conduct a compensation and benefits review for a more rigorous assessment of the package	9	6	HR Director	31/11/2020
13	People	Failure to retain talent (example)	• Unclear priorities • Ineffective talent development and training plan • Poor performance	• Unable to deliver our strategy • Additional pressure on existing already	• Communication on Organization's mission • Revised process for objectives setting and	• Analyze turnover rate • Make use of flexible, short-term contract or consultancies to have support in peak periods	4	4	HR Director	On track

	management system and incentives • Stress related to high workload • Poorly managed/negative perception of internal HR processes (transparency, consistency, fairness)	overstretched resources • High turnover and related costs	review • Maintained flexible working arrangements options • Employees pulse survey recently completed to inform further steps	• Monitoring of absenteeism level and trends • Improve the performance management system and automate the process further • Review employees pulse survey results

HR: Human resources

KPI: Key performance indicator