# Setting a desired risk maturity target

This document outlines the process and considerations for setting a desired risk management maturity target.

## **Review of Current Risk Management Maturity**

## Develop a baseline of current risk management maturity using the Risk Maturity Benchmark tool

Prior to developing the desired risk management maturity, an organisation needs to assess their current risk management maturity level. This inaugural assessment is the baseline risk maturity level. To assist with the baseline assessment, VMIA have developed an online tool known as the 'Risk Maturity Benchmark' to assist with undertaking the maturity assessment. The Risk Maturity Benchmark tool assesses maturity of the existing risk management framework, processes and culture within the organisation. This is performed by requiring the person responsible for risk management to complete a series of questions resulting in a percentage maturity out of 100%. This percentage score is the existing baseline maturity of the organisation.

## Assess the suggested Risk Maturity Benchmark improvement opportunities

After completing the baseline assessment, the Risk Maturity Benchmark provides suggested maturity improvement opportunities based on the negative responses provided within the online tool. These improvement opportunities provide a guide to organisations and can be sorted based on their maturity level and the related importance and effort required to implement. This ensures that effort is placed on improvement opportunities that have the most benefit to improving risk maturity.

## Developing the risk maturity action plan

Organisations are encouraged in the first instance, to select the improvement opportunities that require the least effort and are of the most importance to improve risk management maturity. Organisations should choose to action improvement opportunities that correlate with their current maturity level. Maturity levels are segregated into the following categories:

## Evolving

Your agency has the essential risk management framework and documentation in place.

## Embedding

Risk management is integrated into business processes throughout your agency. You can demonstrate that your risk management framework is being used and you are beginning to realise benefits.

## Optimising

Your agency has advanced risk management practices in place and is continuously improving. You assess what is working well and make changes where appropriate. You could be considered as a leader in risk management.

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**Risk Maturity** 

**Benchmark** 

The Risk Maturity Benchmark tool enables actions to be sorted by maturity level and the related importance and effort required to implement the improvement opportunities. This makes it easier to identify the most beneficial actions to implement. The selected improvement opportunities are included within the Risk Maturity Benchmark Action Plan. This forms the basis for improving maturity and developing the desired maturity target.

## Setting the Desired Risk Maturity Target

## Review the existing Risk Maturity Benchmark Action Plan

Organisations should critically review the Risk Maturity Benchmark action plan to determine actions that can be completed within the current financial year and those that will be completed in future years. Action/s within the action plan correlate to the questions responded to within the Risk Maturity Benchmark assessment.

### Correlating RMA actions to responses within the Risk maturity benchmark tool

Once actions have been segregated between those that will be addressed within the current financial year and those in future years, it forms the basis for developing the desired risk maturity target. Since Risk Maturity Benchmark action/s correlate to a response within the Risk Maturity Benchmark tool (i.e. Yes or No response), by addressing the actions it will result in Risk Maturity Benchmark responses being amended from a previous "No" to a "Yes" response (assuming the proposed actions have been addressed).

## Developing the desired risk management maturity target

The Risk Maturity Benchmark tool can be used to develop the desired risk management maturity target for the current financial year. Once the actions to be addressed within the current financial year have been determined, the correlating response to the questions (relating to the specific action) within the Risk Maturity Benchmark tool can be amended from a previous "No" to a "Yes". By amending these Risk Maturity Benchmark responses, it provides the desired maturity score post addressing all the proposed actions. This score can be used as the desired risk maturity target for the current financial year.

#### Note:

Responses should be amended to the original response until the Risk Maturity Benchmark action has been completed. Progress on actions can also be assessed based on the maturity level attained progressively throughout the financial year

#### Developing future risk management maturity targets

To develop future risk management maturity ratings a similar process should be followed as above. Risk Maturity Benchmark actions identified to be addressed in future years should have the related current response amended from a previous "No" to a "Yes". This will once again amend the maturity score to a desired score for the future and progress can be assessed based on achieved maturity scores.

## Additional considerations/ inputs into selecting actions and finalising the desired risk management maturity target

- Size of the organisation: An organisation's size would influence the desired risk management maturity. This may be due to a lack of resources available to implement a fully mature risk management environment at an optimised level. Implementing a fully optimised risk management environment in a small organisation may not have the desired impact and may even lead to slower decision making. Therefore, the optimal risk maturity level will need to be agreed with the organisation's senior management/ board.
- Senior management 'buy-in'/approval: Agreement with senior management on the desired maturity level is critical to ensure everyone understands the standard required. This will also enable actions to be completed to the desired standard and resources allocated to identified actions.

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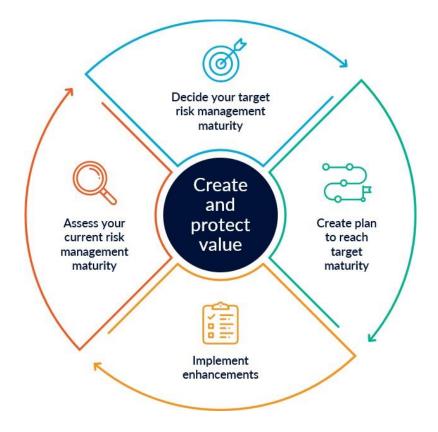
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- Activities undertaken: The activities undertaken by the organisation influence the level of risk management that needs to occur within the organisation's decision making and operational processes. The riskier the activities undertaken by the organisation, the higher the required risk management maturity.
- **Risk Profile**/ **Risk Appetite**: The organisation's existing risk profile and appetite for taking on risk can also influence the level of risk maturity to be achieved. The greater the level of risk the organisation is willing to take, the more mature the risk management maturity should be.
- **Historic Trend:** If an organisation has a history of not assessing risks appropriately resulting in additional costs and waste of resources, this may be a trigger to improve risk management practices and the overall maturity level.
- **Cost versus benefit:** Sound judgement needs to prevail when making decisions on implementing risk management practices to improve maturity. It is advisable to perform a cost benefit analysis both on quantitative and qualitative aspects to ensure benefits will be realised when implementing risk management practices or improvements.

Setting a desired risk management maturity rating, enables continuous improvement on risk management maturity and sets the standard to achieve the desired risk maturity. Considerations including the cost versus benefit analysis are key to ensuring risk management practices are appropriate to the organisation.

Suggested steps for risk maturity planning using the Risk Maturity benchmark



## Considerations for finalising a risk management maturity target and action plan

- Activities of the organisation
- Size of the organisation
- Risk profile
- Risk appetite
- Historic trends
- Cost vs benefit
- Views of stakeholders
- Other?

- What can you realistically aim for this year?
- What is a reasonable long-term target?

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