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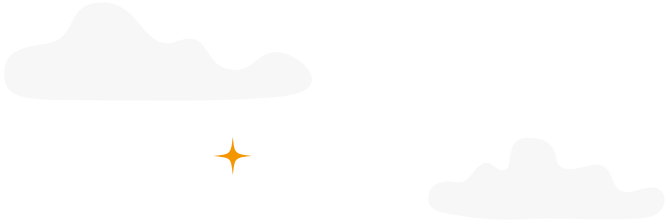
# Improving risk resilience

How facility managers can have risk
conversations with stakeholders

# Contents

# Conversations about risk

While "risk management" is not always explicitly stated in a facilities manager's job description, managing risk is a critical part of facilities management. The tasks that facilities teams do every day contribute to reducing the overall risk position of an organisation, reducing the likelihood of negative outcomes occurring.

> While the term "risk management" may be more common in the boardroom than the basement, all levels of the organisation contribute to risk management, including facilities teams.

This shared goal of risk management should drive straightforward and constructive conversations between facilities teams and management. However, in practice, these conversations can be daunting due to a lack of shared language around risk.

As facilities managers, being able to effectively communicate with decision-makers around risk is a powerful tool that can drive positive outcomes for the organisation as a whole. If facilities managers can speak the language of risk, they're more likely to be heard, and successfully appeal for additional investment for the facilities under their care.

In this eBook, we look at what risk is, and how facilities managers can use risk conversations to achieve stakeholder buy in for additional resources and funding.

# What does "risk" really mean?

Most of us use the word "risk" confidently in our everyday lives, to describe a potential negative outcome.

> We might ask: "What's the risk of x happening?" or "what's the risk if x happens?"

Both these examples are commonly used phrases. Pausing to think about what these phrases mean, it would be more accurate to say: "What is the likelihood of x happening?" or "what are the potential consequences if x happens?"

At first glance, this might seem like a slightly different way to say the same thing. But when it comes to having risk conversations with stakeholders, it's helpful to have a more precise definition for the term.

This definition starts with recognising that "risk" is made up of 3 components:

1. **Hazard:** the thing that could go wrong, a catalyst for consequence

2. **Consequence:** the negative outcome of the thing that could go wrong

3. **Likelihood:** the chance the hazard or negative outcome will be realised

> Risk is defined as the Likelihood that a Hazard will produce a potential negative Consequence.

Let's unpack these components.

# Understanding the components of risk

Risk is defined as the Likelihood that a Hazard will produce a potential negative Consequence.

| Risk | = | Consequence | x | Likelihood |
|------|---|-------------|---|------------|

## Hazard

**A hazard is something that has the potential to go wrong and create a negative outcome.**

For example, fraying carpet on a staircase is a hazard. It is a state of being for an asset, with an associated set of consequences. In this case, fraying carpet is a trip hazard, with the consequence being that someone could trip and fall on the uneven surface.

## Consequence

**Consequences are the possible negative outcomes of a hazard.**

In the example of the carpet on the staircase, different consequences could result based on different contexts. If someone is walking down the stairs holding a coffee, and trip and spill the coffee, but are otherwise fine, the consequence is a spilled coffee, and a grumpy staff member.

If the staff member trips on the hazard while holding an expensive piece of equipment, and seriously injure themselves, the consequence is far greater.

## Likelihood

**Likelihood is the measure of probability that the consequence will occur.**

In the frayed carpet example, if the staircase is in a commonly used area, bearing a lot of foot traffic every day, it is more likely that the consequence (tripping) will occur. If the carpet is in a lower traffic area of the building, there is a lower likelihood of tripping, based on the number of users.

# Risk management in facilities management

When facilities and assets are kept in good condition, risk is generally reduced, because the likelihood of potential consequences is reduced.

In this e-book, we look at three major areas of risk management that usually fall to facilities teams to manage.

## Safety of facilities users

Facilities users is a broad term understood to mean anyone setting foot in the facilities. Staff, contractors and customers should all be able to come into your facilities and reasonably expect to go home in one piece.

### The strategic perspective

Ensuring facilities are a safe space within which to conduct business is a top priority for the decision-makers in the organisation, as the responsibility for safety ultimately sits with them. Beyond their liability, they are people, who want to ensure they're not actively causing harm to other people.

Safety regulations exist for good reason, and legislative breaches can have a significant impact on the bottom line of the business.

Insurance costs, legal fees, and any other payments deemed necessary to rectify the situation represent an almost immediate loss. Someone being injured while on site can also cause long-term brand damage to the business, further restricting the flow of revenue.

## How facilities managers reduce this risk

Facilities teams support safer facilities primarily through maintenance efforts and effective communication.

Through planned and reactive maintenance, facilities teams reduce and rectify potential hazards. Generally, the fewer hazards in a facility, the lower the likelihood of potential consequences occurring.

Other ways facilities teams can support safer facilities include ensuring contractors are properly inducted and communicating effectively to staff.

> To effectively reduce the number of hazards and potential hazards, facilities teams need to be supported with the right tools and resources. Executing a planned maintenance strategy for example, requires funding for preventive works, while reactive maintenance requires an appropriate mechanism for work requests to be logged.

When it comes to contractor inductions and staff communications, facilities teams need an efficient way to convey information. Additionally, there needs to be a way to prove that these inductions, and communications, have occurred, to reduce liability if a consequence is realised.
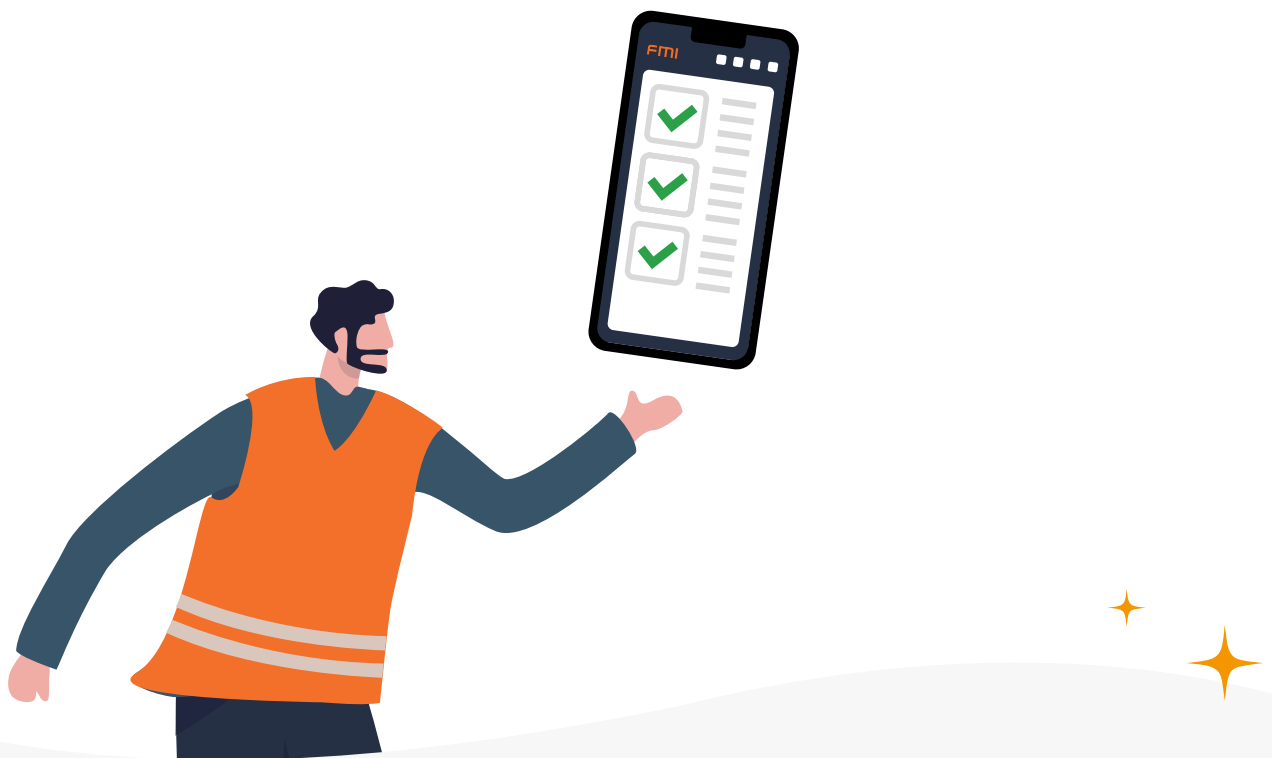
# Business continuity

Facilities are places where business happens, no matter what the commercial purpose of your organisation. Different facilities will have different operating requirements, and certain assets that will be critical to continued operations.

Any asset whose failure has the potential to impact service delivery, even temporarily, is one central to business continuity. If you're a hospital, this could be the air conditioning that keeps surgery rooms at the right temperature. If you're a manufacturer, it could be a piece of equipment key to production.

## The strategic perspective

The decision-makers, including the board, are responsible for the performance of the business. Their remit spans everything from maintaining production capacity, to brand reputation and retaining the best staff. When something threatens service delivery, it is something they'll want to address as a priority.

## How facilities managers reduce this risk

To reduce the likelihood that an asset critical to business continuity will fail unexpectedly, or under-perform, facilities teams often perform planned and preventive maintenance.

> Over time, normal wear and tear will cause assets to eventually fail. Effective planned maintenance strategies allow facilities teams to plan for this, replacing the asset before it fails.

These replacements can be scheduled in advance and can happen at a time that will minimise disruption.

Executing an effective planned maintenance schedule requires funding for proactive maintenance works. Additional funding would be required for dedicated facilities management software to support the execution of planned maintenance.

# Compliance

To obtain a licence to operate, businesses need to comply with relevant safety standards and organisational regulations. Without these licences, businesses simply cannot operate, triggering an immediate shutdown of operations.

## The strategic perspective

A failed audit is a potential negative consequence for the organisation, that keeps decision-makers up at night. A failed audit, resulting in a forced cessation of trade, would be a catastrophic result for those key decision makers, given their responsibilities to the organisation.

## How facilities managers reduce this risk

Facilities management is bound by many different regulations, particularly in reference to safety or building consents. Efficient facilities management is key to compliance, through activities like fire systems safety testing, lift maintenance, water filtration and more.

> Safety audits aim to ensure that the required activities are happening on the correct schedule. Any delay in collating and presenting proof of these activities increases the likelihood of negative consequences.

If it can't be proven that the necessary actions have been taken, then the severity of potential consequences and the likelihood of those consequences being realised both increase.

Timely and accurate reporting on compliance activities requires investment in dedicated facilities management software. Increasingly, auditors expect this information to be available on demand, something outdated paper and spreadsheet-based processes cannot support.

# How to talk about risk
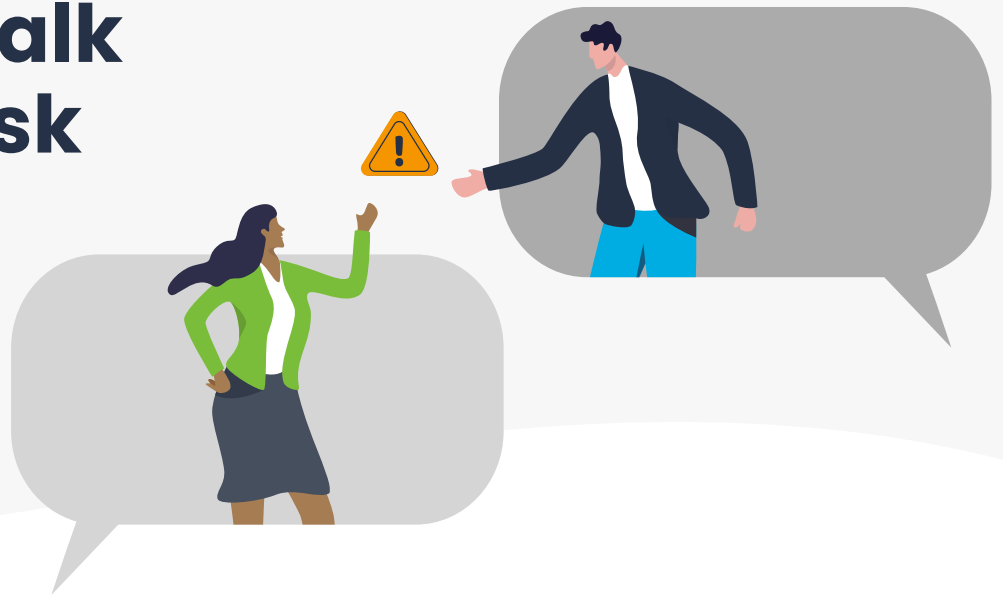
With facilities teams and decision makers sharing common risk management goals, it's easy to assume that attaining additional resources will be easy for facilities teams. However, often this isn't the case, and conversations between FM and decision-makers around risk suffer a disconnect despite the shared goals.

Facilities teams have typically been under-resourced, with budgets not increasing alongside expectations and responsibilities. This has left many a hard-working facilities team putting in extra hours and effort to make things happen, further increasing pressure and exhaustion.

## Why resource requests fail

Budget and resource requests can fail for a number of reasons, but some of the most common are:

- Facilities managers focus too much on the immediate problem rather than the organisational impact of inaction or not investing.
- Facilities managers can't quantify the impact in terms that justify the amount of funding being requested.
- Facilities manager can talk about the impact but doesn't tie it back to the organisation's strategic goals.

**When facilities managers understand and can tie funding conversations to risk, they are more likely to cut through and avoid these common failure reasons.**

# A framework for funding conversations

If putting together a case for additional funding or resourcing to decision-makers, this simple framework can support the conversation. Bringing risk into the conversation can improve the chance of success, ensuring the facilities team are speaking the same language as your stakeholders.

This simple framework is based on answering 3 core questions.



## What's the risk?

Clearly outline the:

- Hazard to the organisation (what might go wrong)
- Consequence (the negative outcome of what could go wrong), and the
- Likelihood (the chance the negative outcome will occur)

> Support the position with qualitative data, and quantitative data where available, to create a compelling story. This helps to paint a clear picture of the risk the request is addressing, helping to capture stakeholder attention.

## What's the solution?

Clearly outline the proposed solution and how it will influence the risk. The key here is to provide enough information about how the solution reduces risk without going into unnecessary and lengthy amounts of detail.

> A well-thought-out plan instils confidence in the ability to execute the plan and increases the chance of a positive outcome. Stakeholders want to know how this solution plays into the big picture, as well as the problem at hand.

## What will it cost?

A cost proposal should include the implementation costs for the solution and the ongoing costs required to maintain it. Don't forget to consider the internal resources and time, as well as financial costs.

In some cases, the solution might create savings in terms of resources and time, so be sure to make these clear when breaking down the cost.

# Practical example

To show how to put this framework into action, let's take a practical example of critical safety systems testing. As a part of the organisations compliance obligations, sprinkler systems need to be checked by an authorised contractor, at a regular intervals.

**What's the risk?**

## Define the hazard

Across Australia and New Zealand, safety regulations dictate that critical safety systems must be tested by an authorised party at set intervals. The hazard, in this case, is that the organisation is audited and found to have failed to meet those obligations.

## Highlight the potential consequences

The consequence in this case, is a failed audit, which will mean different things depending on a number of different factors. Some of the potential consequences could include:

- In the case of some critical systems, the organisation could have its licence to operate immediately suspended, ceasing all operations.
- The facility cannot be used for its intended purpose until systems are tested, resulting in disrupted operations and significantly impacting revenue.
- The organisation will incur significant costs to expedite testing of the systems to regain rights to operate.
- The organisation suffers reputational damage and becomes a target for more frequent inspections.

These are just the impacts of failing an audit. If a critical system is to unexpectedly fail as a result of missed inspections, the consequences could be much more dire.

## Rate the likelihood

How likely it is that one of these inspections will be missed is heavily influenced by visibility over the required inspections. If the organisation is relying on paper and spreadsheet-based processes, visibility over works is low, the likelihood is much higher.

Teams utilising these systems tend to rely on the contractor doing the right thing, sticking to the required schedule, and conducting the right tests. However, the responsibility for ensuring these tests happen lies with the organisation, not the contractor.

A lack of visibility inherently increases the likelihood that a negative consequence will occur, making it incredibly difficult to predict the likelihood of system or audit failure in advance.

## What's the solution?

Ensuring these inspections are conducted properly, and on the right schedule, requires improved visibility over the planned maintenance schedule for critical assets. Your C-suite might not need to know the specifics of these planned maintenance schedules, but they do need to know the risks of not having visibility over them.

Utilising spreadsheet and paper-based processes severely limits visibility over planned maintenance works.

Additionally, these processes make it extremely difficult to produce proof that the required work was conducted at all, let alone in line with auditor expectations. Auditors increasingly expect this kind of information to be available on demand, and deadlines for producing the information may apply in some circumstances.

**The solution, in this case, is investment in dedicated facilities management software to allow visibility over planned maintenance.**

## What will it cost?

The costs associated with facilities management software are predominantly the cost of licencing the software and the resources necessary to implement it.

Beyond the cost of the software itself, think about the resources required to get it up and running. What support is available from the vendor to minimise the internal resources required, and what is the cost of that support?

Additionally, include cost savings associated with the investment.

**The software reflects a risk reduction for the organisation, but may also present an opportunity for cost savings. In addition to the improved visibility, will the software also create efficiencies in reactive works, improve service delivery or time savings for the FM team?**

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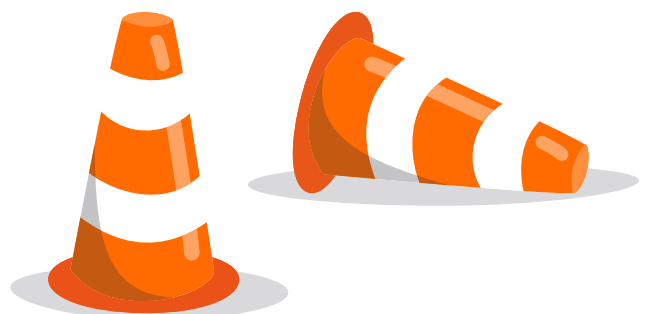
# Bringing it all together

To summarise your proposal, give a high-level overview of the risk involved of inaction before providing your recommended solution. Frame the risk in the context of the organisations strategic goals, and the threat that failing to invest poses to those goals.