

Perspective on Z690 Standards

KAREN HARDY, ED.D., IS DEPUTY DIRECTOR FOR RISK MANAGEMENT AT THE U.S. DEPARTMENT OF COMMERCE

In this interview, Hardy discusses her role within the U.S. Technical Advisory Group (TAG) for Risk Management (ISO 31000) and explains the importance of the new Z690 standards.



Karen Hardy

RMI: Please provide a brief description of your professional background and of your role within the U.S. TAG for Risk Management (ISO 31000).

KH: I first engaged in the practice of risk management several years ago, right after the White House Office of Management and

Budget directed government managers to strengthen their organizations' internal control system. Since that time, I have been involved in the development of risk management programs at the National Institutes of Health and contacted by other agencies to give advice about how to approach enterprise risk management.

I became the first volunteer from the federal arena to serve on the U.S. TAG for ISO 31000. As a direct result of my involvement, I was able to engage a larger community of federal risk practitioners into the ISO 31000 process, which may not have happened if I did not see the significance of this standard.

To ensure that a federal professional's viewpoint was considered in this dynamic process, I established and chaired a federal advisory group for ISO 31000, creating an opportunity that did not exist before. This was an ad hoc voluntary group of

federal risk professionals who were given the opportunity to comment on the draft U.S. version of ISO 31000. I thoroughly enjoy making these inroads because quite frankly, the federal sector is usually the last to know about these emerging trends and ends up using tools and processes not designed to facilitate government-type organizations.

The following standards have received final ANSI approval:

- ANSI/ASSE Z690.1-2011, Vocabulary for Risk Management (identical national adoption of ISO Guide 73:2009)

- ANSI/ASSE Z690.2-2011, Risk Management—Principles and Guidelines (identical national adoption of ISO 31000:2009)

- ANSI/ASSE Z690.3-2011, Risk Assessment Techniques (identical national adoption of ISO/IEC 31010:2009).

RMI: What are the long-term benefits of adopting these particular ISO standards as American National Standards?

KH: Speaking from my own professional perspective, I think these standards could not come at a better time. There is an increased interest in risk management at the federal level. More agencies inquire about what risk management is and what it looks like within a federal setting. Federal agencies sponsor an annual Federal Enterprise Risk Management Summit, which is dedicated to educating the federal workforce about risk management. At a recent summit, the ISO standards were introduced to a predominately

large federal audience. This type of activity did not exist 6 years ago, and the standards can only help expand the practice.

These catalyst standards are perfect for addressing a longstanding view that risk management is not a one-size-fits-all process. This will be a big issue for government agencies interested in referencing this standard because they all have different missions and objectives and cannot possibly adapt a one-size-fits-all process.

In my opinion, risk management can be applied programmatically, strategically and operationally in the federal government. As the practice of risk management in the federal arena matures, I think ISO 31000 will be needed to better understand the general principles for starting off on the right foot.

RMI: How do the Z690.2 and Z690.3 standards complement each other?

KH: I think the two work hand in hand. Having the global overview of the principles—"the what"—and then an accompanying document that focuses on "the how" balances out the entire process. I do not think you can have one without the other.

RMI: How do the three standards distinguish between risk assessment and risk management? Is assessment considered part of risk management?

KH: Just from experience in instituting and designing risk management models in the federal space, I would say that risk assessment is often equated to fully being risk management though I think it is more cyclical than

that. This perception is okay to some extent, but I think the overall problem is that risk assessment and risk management is often practiced in stovepipes and silos. This approach can overshadow the long-term benefit of having a more cross-cutting view of risk because risk assessment is often confined to a specific organization or area of operation. Top leadership will not have the luxury of conducting a litmus test of risk impacts (on resources or otherwise) at an enterprise-wide level.

It is important for risk to be elevat-

ed at an appropriate enterprise level to determine what the management or lack of management of the key risk areas would mean to the organization.

RMI: *In your opinion, which areas of U.S. government could benefit most from the Z690 standards and why?*

KH: In my professional observation, the standards serve as relative points of reference in educating federal risk professionals about risk management, risk principles and associated techniques. The standards could be

used as a guide to help establish a general awareness of risk management within their organizations.

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Near-Misses Produce False Sense of Security

Past random good fortune can lull a person into a sense of security when it comes to buying flood insurance or deciding whether to evacuate from a hurricane, according to new research from the Society for Risk Analysis (SRA). Studies of both professional risk experts and the general public showed people who had experienced a "near-miss" event related to flooding or a potential hurricane, instead of taking extra precautions when faced with possible future disasters, actually behave less protectively.

The analysis, titled "Why Near-Miss Events Can Decrease an Individual's Protective Response to Hurricanes," appears in the March issue of SRA's journal *Risk Analysis*. The authors include Robin Dillon and Catherine Tinsley of Georgetown University in Washington, DC, and Matthew Cronin of George Mason University in Fairfax, VA. The research was sponsored by the National Science Foundation and the University of Southern California's Center for Risk and Economic Analysis of Terrorism Events.

Examples of natural environment near-misses cited in the article included a random tree location pattern saving one's house from a mudslide; shifting weather conditions saving a home from a wildfire; or an impending hurricane failing to produce the winds predicted or the track turns at the last moment, missing a major metropolitan area along the coast. Manmade disasters cited included terrorist events. For example, by chance, a bomb fails to go off quickly enough, allowing time for nearby individuals to intervene and disrupt the attack.

The research showed people having experienced a near-miss event perceived a lower amount of risk, despite being presented with information suggesting a high-risk situation. In the first part of the study, researchers compared participants' choices about purchasing flood insurance after some had experienced a near-miss with flood damage, while others had not.

Both participants from the general public and experts in the fields of risk analysis and natural disasters who had experienced a near-miss chose less insurance than people who had not experienced a near-miss, and, in some cases, chose no insurance.

In the second part of the study, participants drawn from the same general public/risk analyst pools were queried about whether to evacuate from a hurricane. The same findings emerged: if they previously had escaped disaster by chance, they were less likely to be willing to evacuate when faced with potential hurricane weather.

"Although the chance-dependent nature of near-misses may be acknowledged, these good outcomes may come to be seen as more of a sure thing for those who have experienced a near miss," Dillon said. "Our research shows how people who have experienced a similar situation but escape damage because of chance will make decisions consistent with a perception that the situation is less risky than those without the past experience."

The findings have implications for how people respond to, and prepare for, natural disasters and may be of interest to emergency responders, insurers, decision-analysts and communications experts. "Those who educate the public about natural disasters need to realize that the same objective facts about the costs and statistically calculated risk of an impending hazard will be interpreted differently by people based on their own prior experience," according to the report. People may need to be "explicitly taught to counteract their gut feelings. . . . The narrative or story that accompanies these facts is important, as is the salience of prior good versus bad outcomes."

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