



bushfire&natural
HAZARDSCRC

OWNING THE FUTURE: RISK OWNERSHIP AND STRATEGIC DECISION MAKING FOR NATURAL HAZARDS

Celeste Young and Roger Jones

Victoria Institute of Strategic Economic Studies, Victoria University



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Australian Government
Department of Industry,
Innovation and Science

Business
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Centres Programme



**VICTORIA
UNIVERSITY**
MELBOURNE AUSTRALIA

THE TEAM

Mapping and Understanding Bushfire and Natural Hazard Vulnerability and Risk at the Institutional Scale

Researchers

- 1) Roger Jones VU
- 2) Celeste Young VU
- 3) John Symons VU
- 4) Peter Sheehan VU
- 5) Bruce Rasmussen VU

End Users

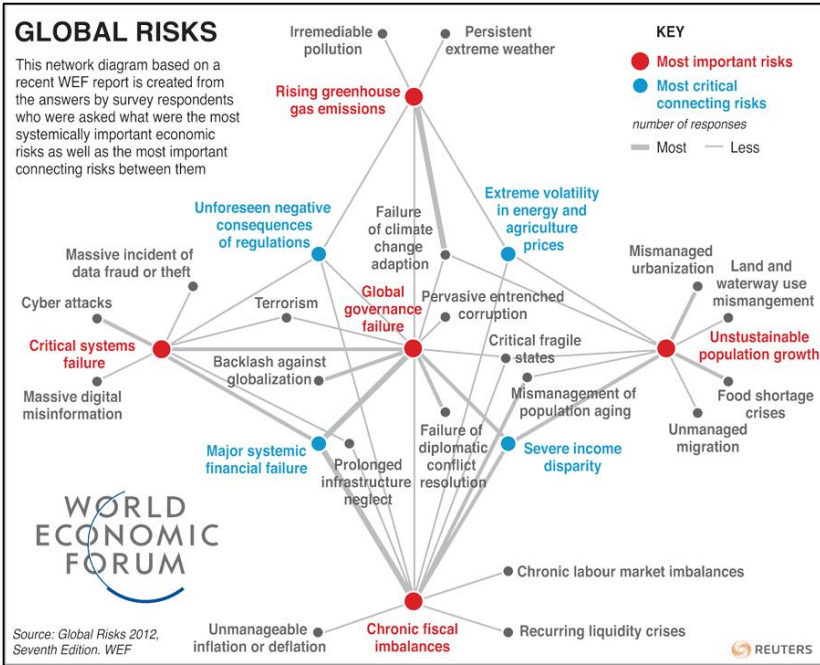
- 1) Liam Fogarty DEPLWP, Vic
- 2) Pauline Cole DCSI, SA
- 3) Ed Pikusa SAFECOM, SA
- 4) Patrick Schell, RFS, NSW
- 5) Chris Irvine, SES, Tas
- 6) Greg Christopher, EMV Vic

OUR PROJECT

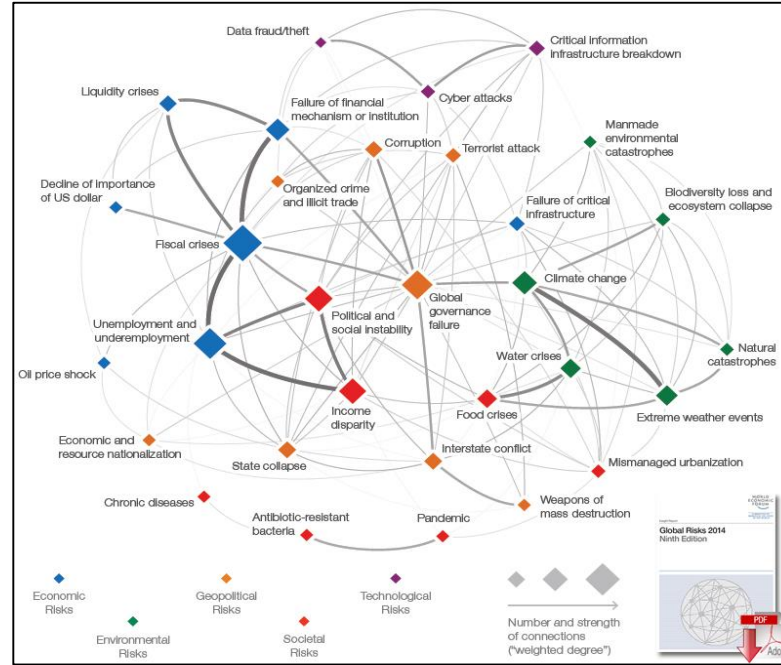
Mapping and Understanding Bushfire and Natural Hazard Vulnerability and Risk at the Institutional Scale

- Economics to support strategic decision making.
- Understanding and application of risk ownership.

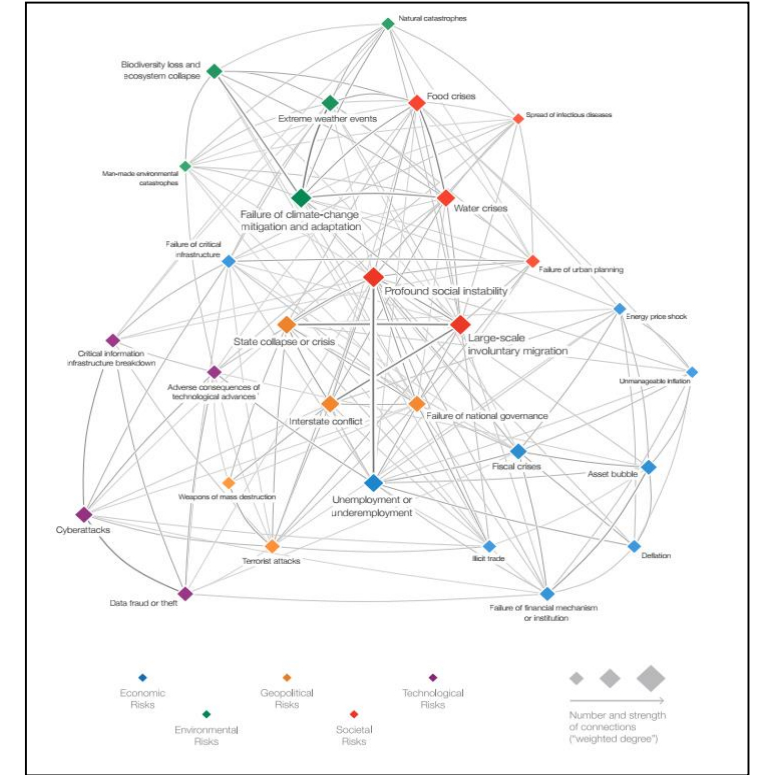
THE CHANGING LANDSCAPE OF RISK



2012



2014



2016

The Risks-Trends Interconnections Map (DAVOS 2012 - 2016)

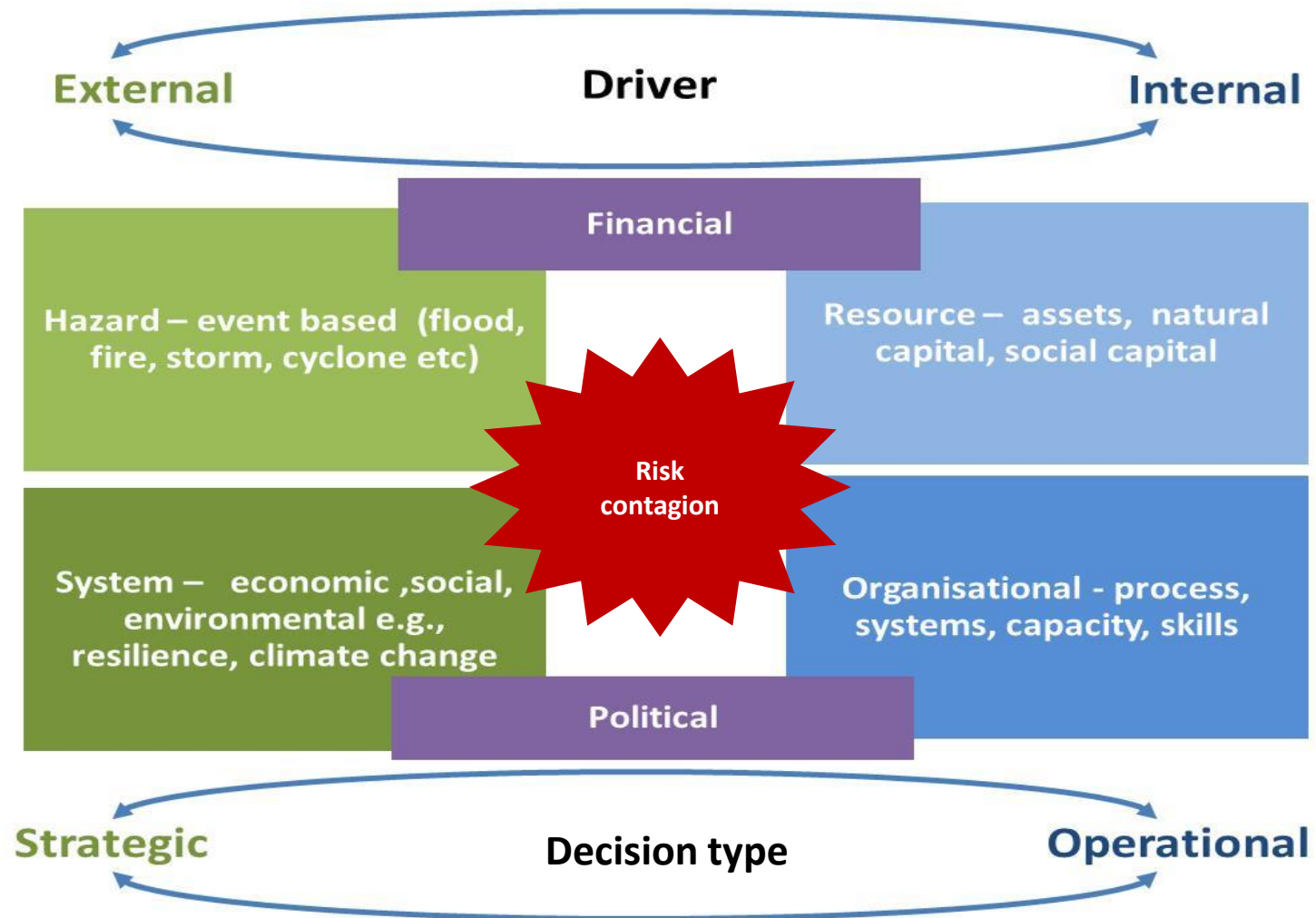
WORKING WITH SYSTEMIC RISK



‘Unfortunately, in many companies, the CFO is handling financial risk, the CEO is handling strategic risk, and the COO is handling operational risk, but no-one is looking at all those risks as one.’

**Jim Loucks, Chief Commercial Officer,
Aon Risk Solutions**

UNDERSTANDING THE SYSTEM OF RISK



Risk System With Internal And External Components, (Young et al 2016)

UNDERSTANDING THE SYSTEM OF RISK



The 2011 floods in Thailand cost an estimated **US\$ 40bn**



Roughly a quarter of the world's hard drives are made in Thailand



Impact of floods saw global hard drive prices jump **28%**



Widespread disruption also affected the automotive industry



Honda's factory in Swindon was forced to cut production as a result of the shortage of Thai-manufactured components



Toyota lost production of **260,000** vehicles

STRATEGIC DECISION MAKING



**“Planning is the pathway,
but strategy provides the
destination.”**

Liam Fogarty, DELWP, Victorian Government

WHY RISK OWNERSHIP?



Risk ownership is the one constant in a highly changeable risk landscape.

If a risk is not owned then it very likely it is not being managed.

DETERMINING RISK OWNERSHIP

Our definition combined two definitions:

- Whoever **owns the assets** owns the risk (Productivity Commission 2014)
- Person or entity with the accountability and authority to **manage a risk** (ISO 31000)

This was assessed across: Short (2-12 months), (medium) 1-2 years, (long) 2+ years timeframes, using the RAP criteria:

- Who is **responsible**?
- Who is **accountable**?
- Who **pays**?

RESEARCH SCOPE

Values (tangible and intangible)

Built infrastructure, social, environmental and Economic.

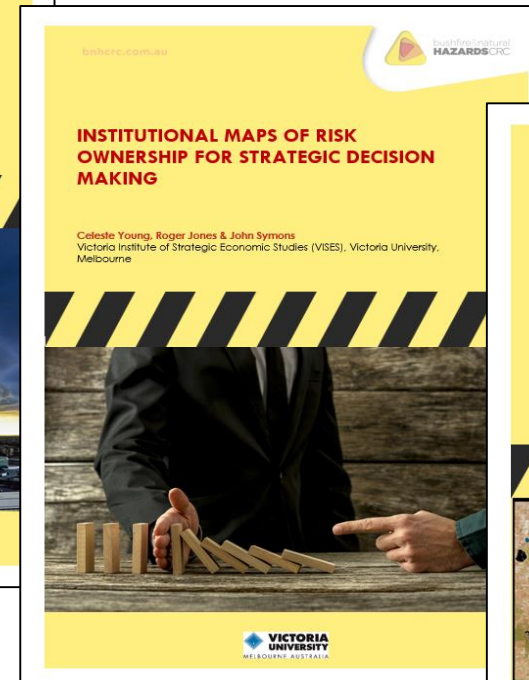
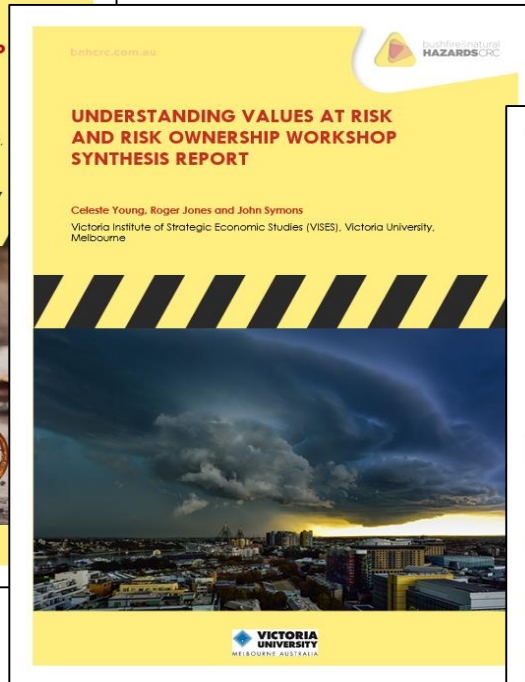
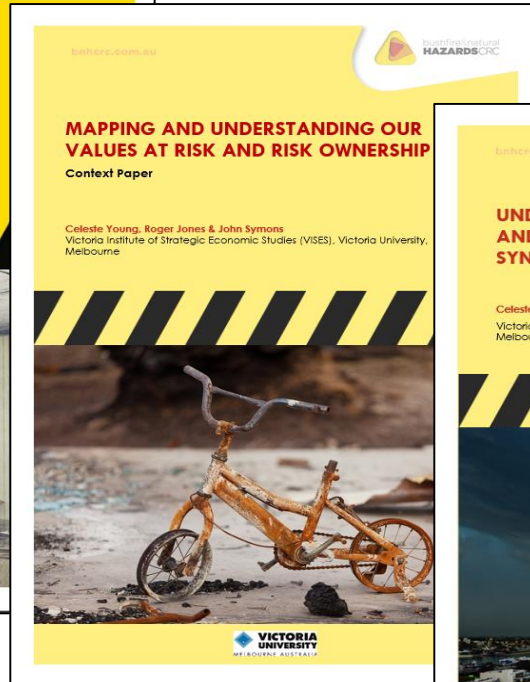
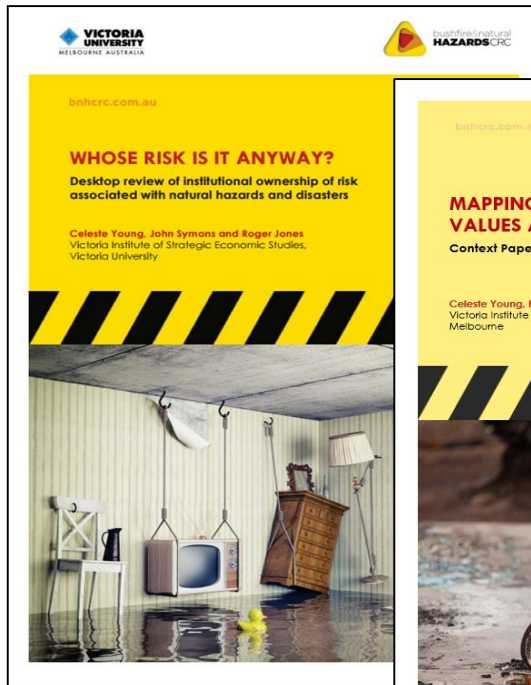
Institutions:

Federal, state/territory and local government, business and industry and community.

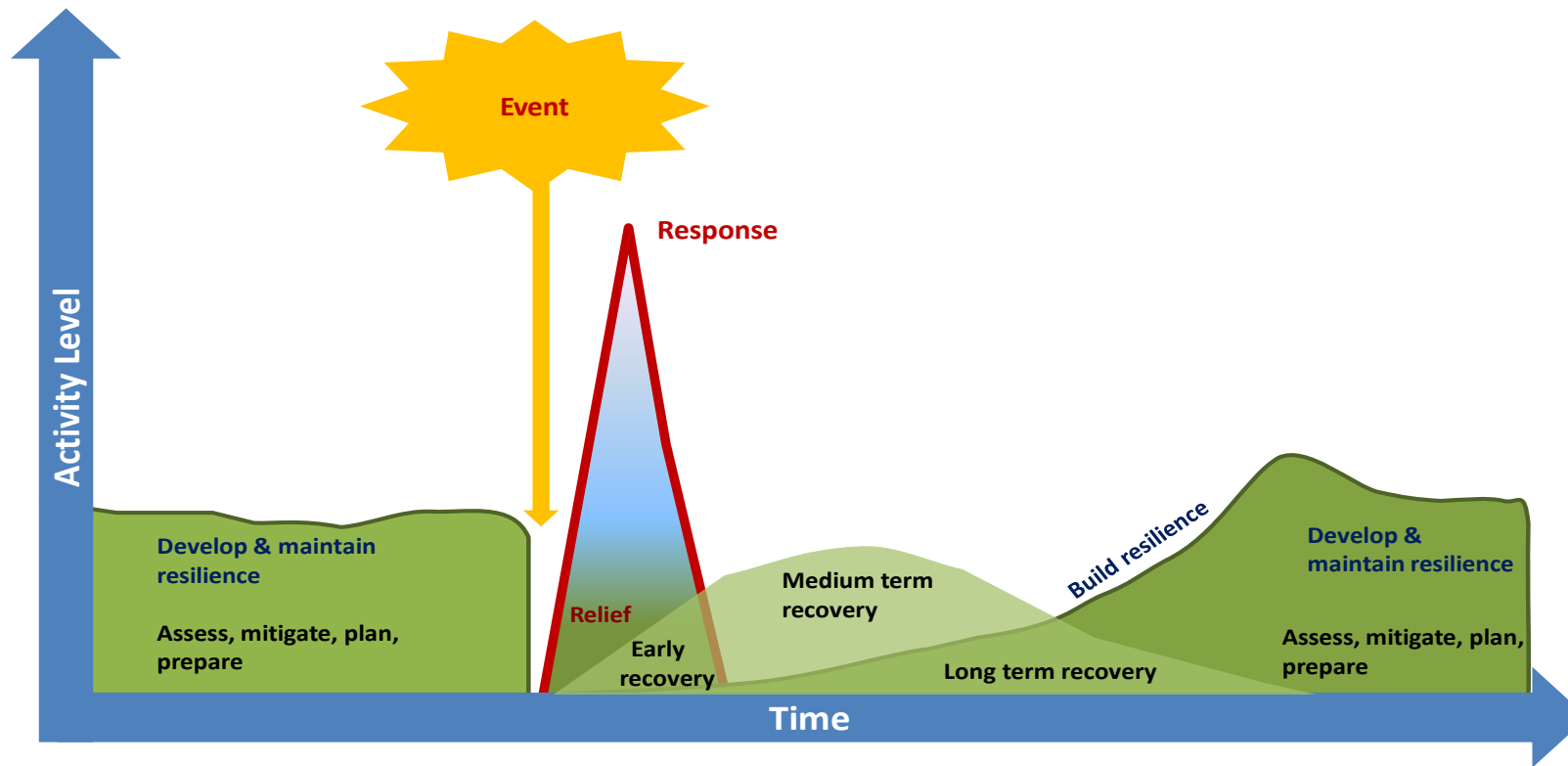
Hazards:

Fire, Flood, Severe storm (includes wind and hail), Heatwave.

HOW WE DID THIS



WHAT WE FOUND

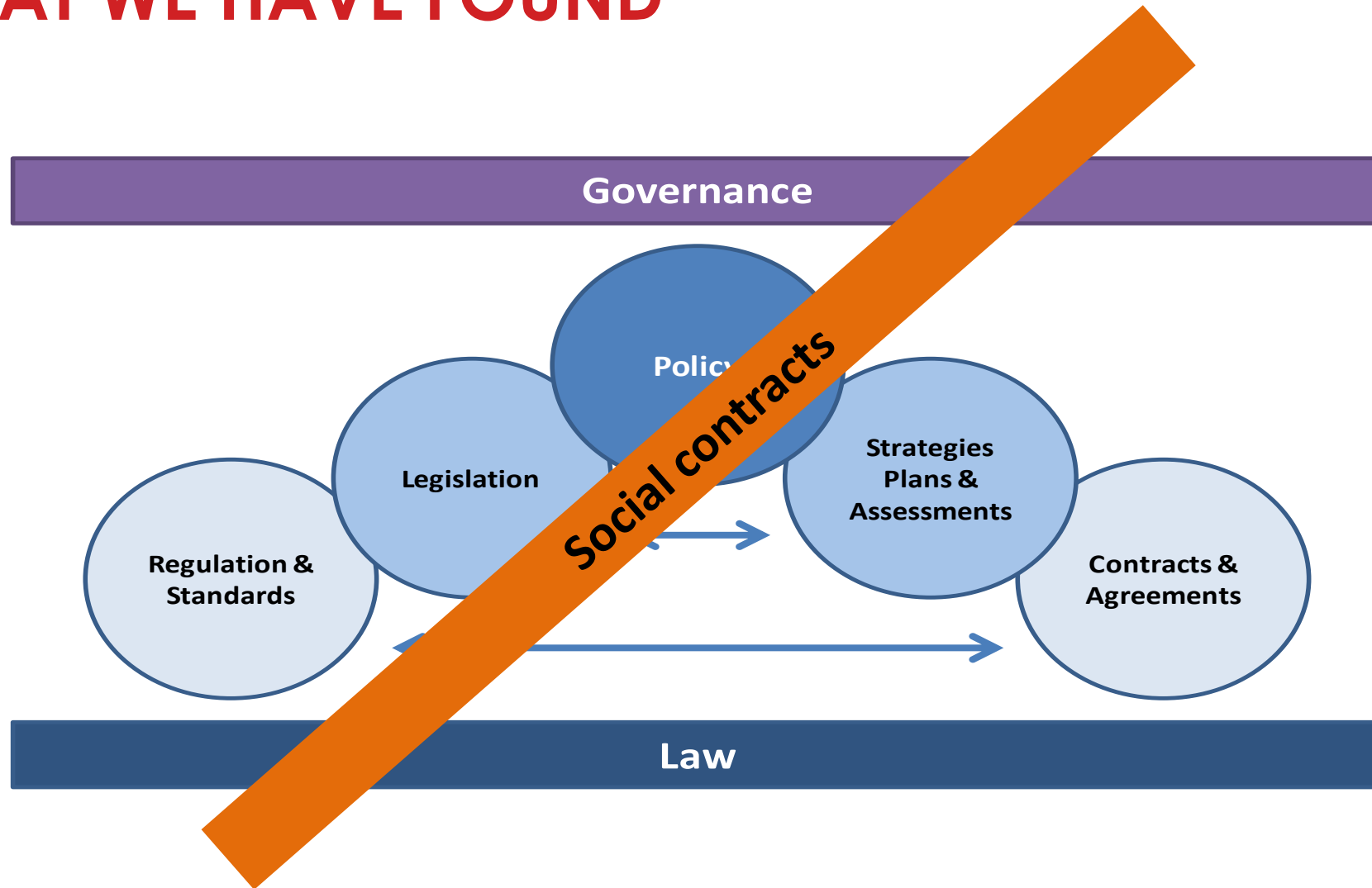


Activity based allocations natural hazard management, Young et al (2015)

WHAT WE HAVE FOUND

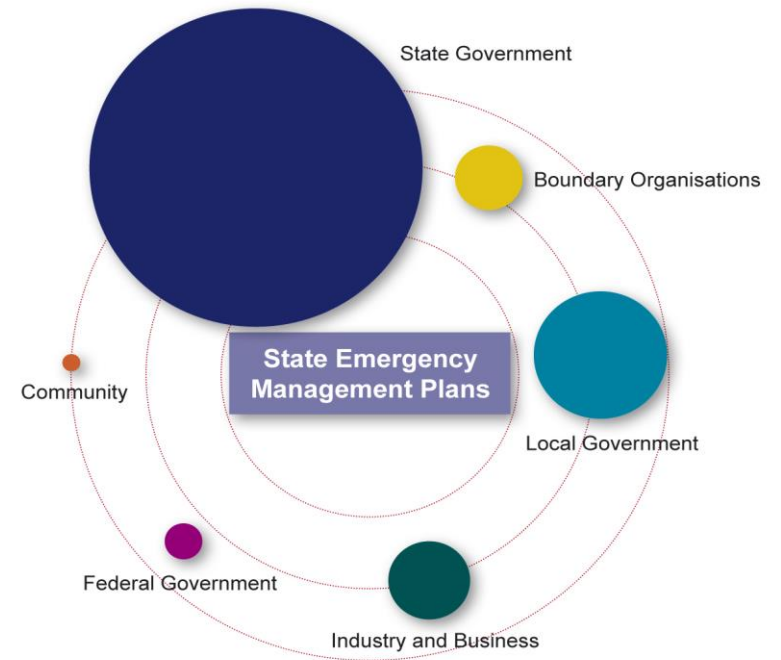
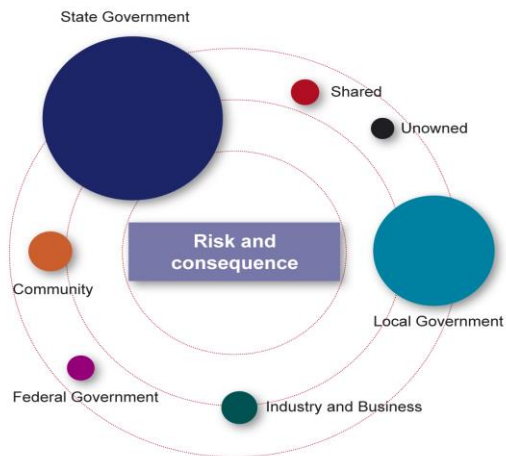
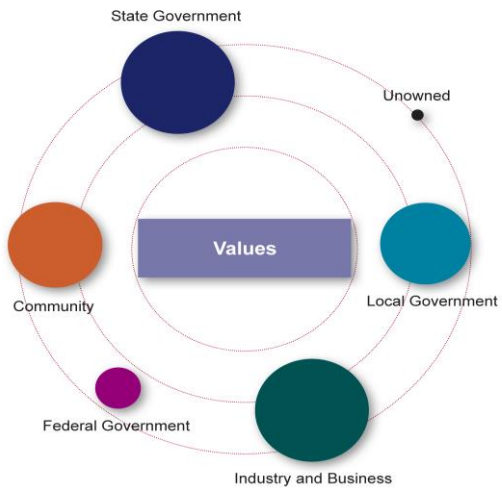


WHAT WE HAVE FOUND



Activity based allocations natural hazard management, Young et al (2015)

WHAT WE HAVE FOUND



WHAT WE HAVE FOUND

- Effective risk ownership, requires understanding of **who** the owner is, **what** the allocation is for, **how** it is allocated, and **if** the associated responsibilities can be fulfilled.
- **Risk ownership is a negotiated process** so how you undertake that process is crucial.
- **Skills, capacity and tools development** are needed to support better strategic planning and evaluation of values (particularly intangibles) and allocation and uptake of risk ownership.

THERE IS AN APPETITE FOR CHANGE



“We can’t do this without our communities and we know we can’t keep telling them what to do because that just doesn’t work....We have to think about this in the longer term otherwise we are just setting ourselves up to fail.”

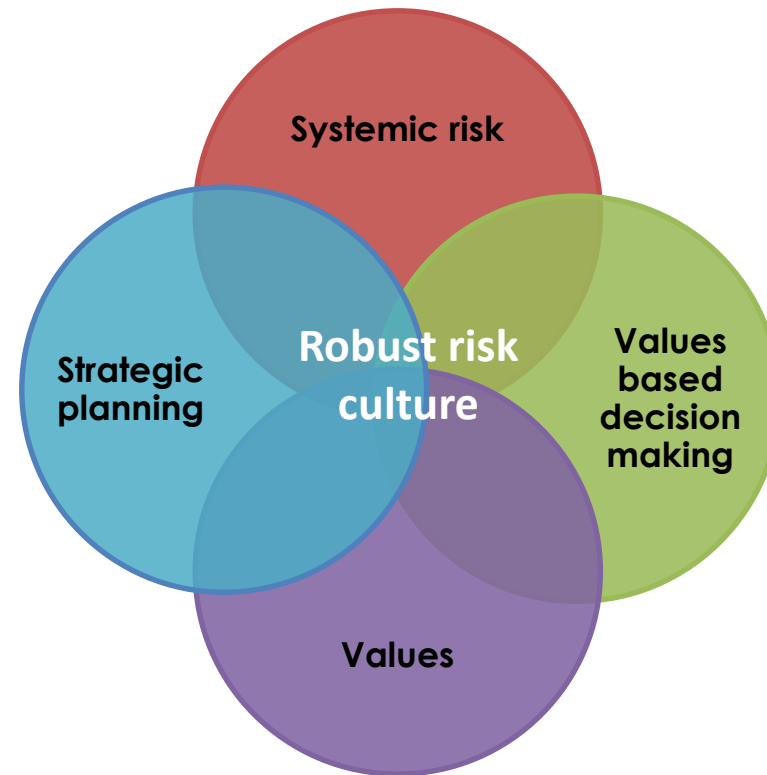
Tasmanian workshop participant

WHERE TO NEXT?

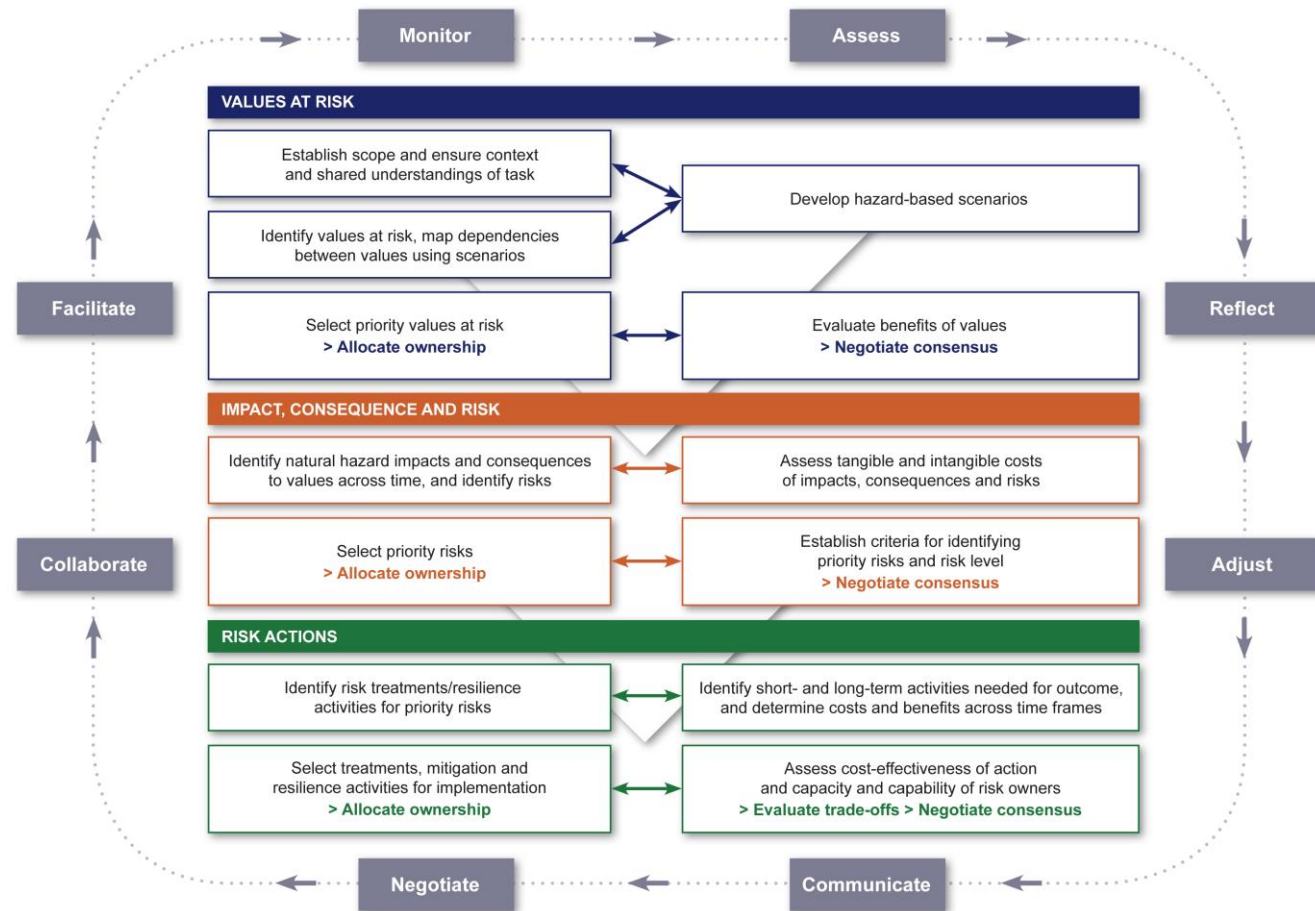


STEP 1: CREATE UNDERSTANDING

Key concepts and knowledge areas needed to support risk ownership and strategic decision making.



STEP 2: IMPLEMENT



A values based decision making process that links ownership of values to ownership of risk.

THE CHALLENGE



“People don’t value what they don’t understand, and I think some values and risks get dismissed because they are seen as too much hard work.”

Victorian Workshop Participant

QUESTIONS

Celeste Young
Collaborative Research Fellow
celeste.young@vu.edu.au
03 9919 1347

Roger Jones
Professorial Research Fellow
Roger.jones@vu.edu.au
03 9919 1992

Victoria Institute of Strategic Economic Studies
Victoria University