

## Operational Risk Management Process 14-6.01-K

KNOW the seven steps of the Operation Risk Management (ORM) process as presented in the E-PME Study Guide

### ***Operational Risk Management Process***

Operational Risk Management (ORM) applies to more than just operational units or operational missions in the usual sense of “operations.” All Coast Guard missions and daily activities, both on-duty and off-duty, involve risk management decisions. Risk management programs encourage safe decision-making and support those decisions.

Basic decision-making principles should be applied before any anticipated job, task or mission. These principles include:

- Accept NO unnecessary risk.
- Make risk decisions at the appropriate level.
- Accept risk when benefits outweigh the costs.
- Integrate ORM into Coast Guard doctrine and planning at ALL levels.

Since every event requires risk to be kept within acceptable boundaries (e.g., slowing to a safe speed in fog), keeping risk in check is of utmost importance.

Seven systematic steps are involved in the ORM process.

### **ORM Process Seven Systematic Steps**



***Step 1: Define Mission/Tasks***

First, you need to define the mission or tasks. Perform the following activities:

- Review current and planned operations describing the mission at hand.
  - Construct a list or chart depicting major phases of the operation or task.
  - Break down the operation or task into “bite-size” pieces.
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***Step 2: Identify the Hazards***

The key to successfully analyzing risk is to carefully define the hazard. This step involves identifying those things that are *potential failures...* things that can go wrong. To ensure effective *hazard identification*, you need to consider these basic categories:

- Equipment
  - Environment
  - Personnel.
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***Step 3: Assess the Risk***

It is vital to consider risk in relation to the Unit and the mission. Individual risk levels must be determined for each identified hazard. Risk assessment is conducted by evaluating specific element or factors. Combining your evaluations defines risk.

The risk level must be understood as it applies to the team and/or the mission. Two different methods developed to assist in the risk evaluation are the:

- **SPE (Severity, Probability, Exposure) Model.** Risk for a specific hazard can be assessed using the SPE Model, computed as:

$$\text{Risk} = \text{Severity} \times \text{Probability} \times \text{Exposure}$$

- **GAR (Green, Amber, Red) Model.** The GAR Model addresses more general risk concerns that involve operations planning or reassessing risks as milestones. This model incorporates the six elements that affect risk in operations identified by a Coast Guard accident survey:
  - ▶ Supervision
  - ▶ Planning
  - ▶ Team selection
  - ▶ Team fitness
  - ▶ Environment
  - ▶ Task complexity

The GAR Model provides another way of assessing risk and may be used as an alternative to the SPE Model.

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***Step 4: Identify Options***

Starting with the highest risk hazards assessed in Step 3, identify as many risk control options as possible for all hazards that exceed the acceptable risk level.

Identify and evaluate risk control options according to their impact on mission and unit goals.

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***Step 5: Evaluate Risk vs. Gain***

Determine if the benefits of the operation now exceed the levels of risk that the operation presents. Take into consideration the cumulative risk of all the hazards and the long-term consequences of the decision.

Very high risk versus gain decisions require concurrence of the appropriate level of command. The Chain of Command shares responsibility for the risks taken by your team in the performance of the mission.

This step also serves as a reality check to verify that the objective is still valid. You must take into consideration that expected value of a loss differs from person to person, based on individual perceptions of risk. Therefore, you need to consider the perceived value as well as the expected value of a loss when making risk decisions.

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***Step 6: Execute the Decision***

This is where you take action. This may mean increasing, replacing, or reassigning unit or team resources (i.e., people, equipment, and/or information). You need to ensure the risk controls are known by all and enforced.

A high level of risk that cannot be effectively controlled should be reported through the Chain of Command to the appropriate leadership level.

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***Step 7: Monitor the Situation***

Once the decision has been executed, you need to monitor the situation.

- Are the controls and risks in balance?
- Are changes to the operation, equipment, environment, and/or people effective in lowering risk?

Keep in mind that...***risk management is a continuous process!***

React to changes in the situation by returning to Step 1. At key points in the mission, it is important to reassess risk.

***Incorporating  
ORM Decision-  
making Process***

Incorporating the seven basic steps of ORM into your daily decision-making process creates an environment in which every Coast Guard member is motivated to personally manage risk in everything they do.

This results in an increased ability to meet Coast Guard missions with minimal risk to personnel, equipment, and property.

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