

Enterprise Risk Management Profiling for H&S and Fleet Risk Managers

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Introduction

Within an organisation's enterprise risk management process, fleet risk management is now a major risk to be managed in a consistent and holistic manner.

Ideally fleet risk management should involve an enterprise-wide process for integrating the risk management of fleet and related risks at strategic, management and operational levels. One that covers risks across a full range of business, commercial, operational and support functions. It needs to identify and assess risks across the whole organisation and its supply chain, within strategic aspects, management support, vehicles, drivers, loads, sites, journey and delivery.

The use of fleet and related operations to satisfy supply chain needs has substantially increased over the last ten years. The procurement of goods from overseas has grown significantly, with increasing outsourcing to overseas production. Land based alternatives to road transport have almost disappeared, coastal sea transport has not stepped in to fill the gap, so road based transport methods have become the automatic choice. Additionally, the supply chains of many organisations require the use of fleet and related services to deliver 'just-in-time' fulfilment. The growth of the internet and general consumer spending has created a demand for 'instant customer fulfilment', both home based delivery and local retailer availability. As a consequence, traffic volumes have grown significantly and congestion is a top-ten concern and reality for many organisations. In turn this has raised concerns about environmental impacts and an increasing discussion about viable alternatives.

So, where does fleet risk management sit in this scenario and how can it contribute to valid solutions that maximise opportunities for an organisation, whilst minimising risks. Fleet risk management is often viewed as a pure operational level activity, while other organisational functions – production/operations, finance, commercial, procurement, human resources and quality are only considered in their departmental silos and not fully integrated with fleet activities. Rarely does fleet management receive a high level of management attention and very rarely is it considered as a strategically important corporate risk to be consistently managed as a key aspect of the business. Yet with the importance of fleet transport, ever increasing, this risk area is one that can not be ignored.

Initiatives typically deal with driver recruitment and training, human resource issues, vehicle purchasing and allocation, fuel consumption, accident data and post accident management. Resulting control measures normally only relate to the core focus of the initiative.

Pressures are increasing to think of new ways to reduce and manage risks and exposures and maximise organisational benefits from improved risk management. Organisations are therefore looking for new ways to identify how they are creating risks across their total operations, whether directly or indirectly managed and how risk management can add new value to business success.

Enterprise-wide fleet risk management

Enterprise risk management (ERM) enables an organisation to develop and implement a consistent approach to managing risks across its entire organisation. Corporate governance requires the 'enterprise' to identify its risks across its total operations and prepare a strategy to reduce the impact on the business and its stakeholders.

The integration of fleet risk management within an overall ERM process will provide an opportunity for an organisation to set a **risk appetite** for the management of its fleet and related risks and manage improvements and opportunities accordingly. It will also elevate fleet risk management to a strategic level activity, with resulting benefits.

Research

Our research showed that organisations with fleet and related operations need a sustainable reduction in overall fleet risks and costs, vehicle and personal injury accidents, insurance claims and premiums and diverted management time and resources. They also need tools and techniques to improve the management of a broad range of fleet and related risks and to assist the process of integration with normal business processes. The ability to benchmark internally and externally is a key requirement, plus it is important that any approach identifies the underlying causes of risk and also opportunities to improve controls to benefit the business.

We identified that current interventions are mostly compliance based, operationally focused, dealt only with a specific fleet management process and often use a 'tick-the-box' approach. Some organisations do have management systems, but in the main these are focused on a compliance

approach e.g. health & safety and they vary greatly in effectiveness, business relevance and added value.

There is clearly a need for a holistic approach to cover a full range of fleet and related operations that could be part of an organisation's ERM system. In addition any approach has to include a full range of risks at strategic, management and operational levels, cover a full range of business functions, be linked to the overall business performance measurement process and provide benchmarking functions.

It is therefore time for a real step change

Fleet and related operations

Fleet and related operations cover a very broad range of organisational and business activities in virtually all sectors of the economy – private, public and not-for-profit. Fleet and related operations are used in a wide variety of road transport circumstances, across widely variable organisations. These differences can mostly be encompassed within two broad types of organisations that use fleet and related operations:

- Customer organisations – those that use fleet and related services as a supporting activity e.g. food or clothing retailer, utility company, emergency service
- Supplier organisations – those where fleet and related operations is their main business activity e.g. contract logistics company, supply chain partner, vehicle supplier

These types of organisation produce greatly different risk profiles, different risks and risk management needs, both in type and level, requiring the application of a specific mix of strategic, management and operational risk managing activities.

Corporate risk assessment

A logical starting point to create a valid and effective methodology is to build on an existing proven process.

Our approach was developed using a combined total of over 100 years of international experience in the development and implementation of fleet, health & safety, fire and business continuity risk management systems. It was developed in response to the need for a process with a business wide focus that is comprehensive, commercially relevant and risk based. The approach has been used successfully for over 15 years.

The process has three steps:

1. Determine the risk profile of an organisation, by identifying how it is creating risks and expose the implications for fleet and related operations
2. Evaluate existing fleet risk management systems to determine their relevance and effectiveness to meet organisational needs
3. Identify opportunities and develop new management systems to improve fleet risk management controls and facilitate their integration with normal business processes

A model shows the key points:

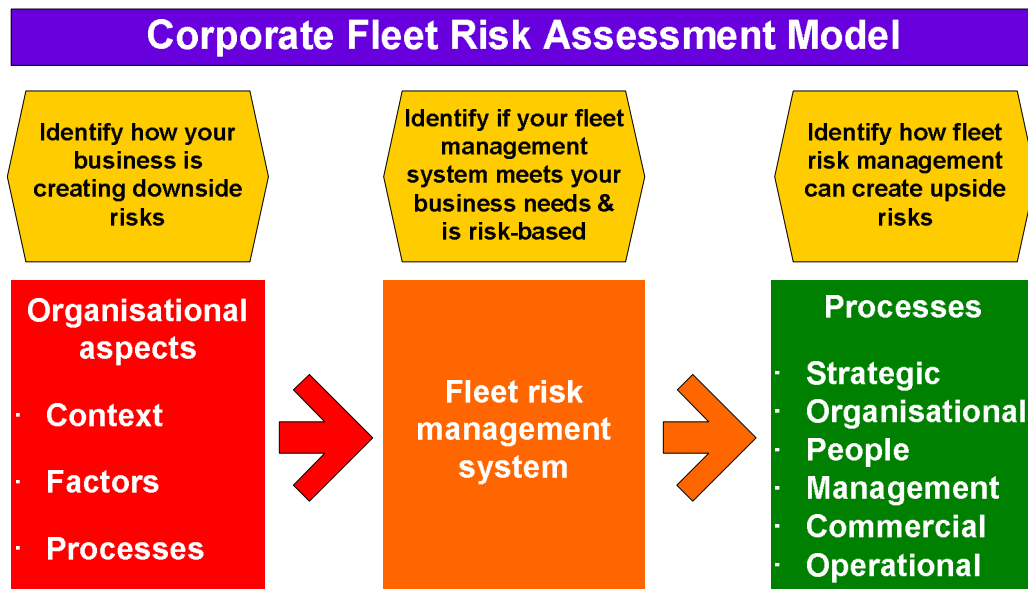


Exhibit 1.

Fleet risk profiling concept

The corporate risk assessment process provided significant benefits over traditional risk assessment methods, but to meet a complete range of needs further development was required.

The primary development objective was to produce an online comprehensive risk profiling, risk assessment and benchmarking process which uses valid risk management methodologies, produces consistent added value outputs and covered all types of fleet and related operations and risks at all levels.

Additionally the process needed to be flexible, adaptable, usable for a corporate level review, on a site-by-site basis for multiple sites and for an organisation's supply chain. With the growth in multi-national organisations the process needed to use generic content that did not relate to specific legal requirements and could be used worldwide.

Fleet risk profiling process

The online process that was developed uses the following steps:

1. Appoint an administrator to manage the use of the process, including the allocation of users to undertake the process

2. The main User identifies the operational risk profile of the organisation or site being assessed. Thirteen operational risk factors are used to identify an overall level of risk. The overall level of operational risk sets the risk levels for the next step.
3. The User or multiple users undertake the risk assessment process via risk areas, risk elements, risk managing status factors and performance metrics, using over 900 data elements. The user(s) only selects the risk areas and risk elements that are relevant to their organisation or site, ensuring that the organisation is only assessed against relevant criteria and not an artificially set level.
4. Automatic reports are produced and provide a strategic overview, management information, detailed analysis and flexible non-prescriptive action planning guidance.
5. Benchmarking options provide a full range of internal and external comparisons to be used for action plan development.
6. A regular repeat review is used to identify action plan status and improvements in risk managing performance.

An organisation can customise the content to make it even more relevant for their fleet and related operations, including the development of an internal standard.

Fleet risk profiling benefits

The process creates an enterprise-wide process for integrating the risk management of fleet and related risks at strategic, management and operational levels. Risks are covered across a full range of business, commercial, operational and support functions, and across the whole organisation and its supply chain.

Such a process provides a wide range of benefits and enables an organisation to set its own risk appetite for the management of fleet and related risks, giving proof of the active management of risks, internally and externally. Furthermore it adds value to client and contractor relationships by risk profiling and undertaking due diligence of supply chain partners. It can be used as an internal standard, including customisation of the content to meet specific organisational needs, especially as the content is applicable worldwide.

The setting of a relevant risk managing target, rather than an artificially imposed target, enables an organisation to focus on its relevant risks. Automatic reports provide a strategic overview, management information, detailed analysis and flexible non-prescriptive action planning guidance. Benchmarking options (including within fleet industry sectors) provide internal and external comparisons to enable an organisation to set a specific risk managing control level and associated resource allocations.

The development of a risk-based focused action plan to achieve a relevant risk control level leads to reduced risk exposures and costs, resulting in major benefits for an organisation and its insurers.

Case Study

A nationwide third-party logistics company used a corporate risk assessment for a strategic review of its organisation and fleet risk management process. The report was used to develop a whole range of enhanced control measures at the strategic and management levels. The next step was to identify in detail the fleet and related risks across the whole organisation, including all sites that used vehicles and related services. Fleet risk profiling was the method chosen for that detailed review, with the automatic reports and benchmarking data being used to create targeted actions for each site. Progress is being reviewed at regular intervals using fleet risk profiler™.

Case Study

A facilities management company used a corporate assessment and then site-by-site profiling. They operate from multiple sites throughout the UK with different levels of fleet usage and with over 1500 vehicles of all types. They needed to initially identify the status of their corporate fleet risk management policies, and then to risk profile and assess each site to identify their most significant risk exposures. A detailed account plan was developed at corporate level and on a site-by-site basis using the automatic reports and benchmarking data. A progress review is scheduled using the fleet risk profiler™ process.