



## **"What Is Human Risk Management?"**

For many years, I have believed that Human Resource Management should really be about managing human "risk". As HR practitioners, we have tried for years to sell the idea that the discipline of Human Resource Management is really Human Capital Management, i.e. the management of human imagination and talent that is an asset and the key to an organization's success. Certainly, that is true to an extent. But no matter how hard we try to turn ourselves into an asset, the problem remains - we aren't dependable. Whether a human resource is an asset or not depends on who the human is and on what day you value him or her. We are capable of brilliance - and we are also capable of poor performance and even deadly foolishness. Consequently, humans are one of the riskiest components of business.

To me, "human risk management" is about managing the human engagement with business. By applying risk management principles to the evaluation of human engagement and the risks associated with human competencies and behaviors, I believe organizations can improve strategic and tactical results. The discipline of managing humans can then yield a greater degree of predictability.

The International Organization for Standardization identifies the following principles of risk management:

1. Risk management should create value.
2. Risk management should be an integral part of organizational processes.
3. Risk management should be part of decision making.
4. Risk management should explicitly address uncertainty.
5. Risk management should be systematic and structured.
6. Risk management should be based on the best available information.
7. Risk management should be tailored.
8. Risk management should consider human factors.
9. Risk management should be transparent and inclusive.
10. Risk management should be dynamic, iterative and responsive to change.
11. Risk management should be capable of continual improvement and enhancement.

Frankly, I don't see anything that negates its application to the management of the human workforce. Let me restate these principles in "human risk management" terms:

1. Human risk management should utilize all available tools to create and sustain value from the workforce.
2. Human risk management should be an integral part of organizational processes and constantly undergo scrutiny and evaluation for best practices.
3. Human risk management should be part of decision making to ensure the positive impact of each individual member of the workforce is maximized.
4. Human risk management should explicitly address the uncertainty of new workforce members, members in new roles, members with new responsibilities, members under duress, and members who have disengaged from organizational objectives.
5. Human risk management should be systemic and structured using effective and efficient tools to maximize positive outcomes in a consistently executed manner.
6. Human risk management should be based on the best available information requiring professionals to stay informed of trends, issues and regulatory requirements in their organization, the workforce, and the industry in which they work.
7. Human risk management should be tailored to address the specific workforce environment on a dynamic basis, changing and adjusting as needed by the organization to maintain the highest level of positive impact from its workforce.



8. Human risk management should consider human factors, the work environment, the business environment and the influence of outside pressures on the members of the workforce, adjusting and supporting them when possible and as needed.
9. Human risk management should be transparent and inclusive through clear communication of organizational goals, strategy, and expectations of performance at all times and at all levels.
10. Human risk management should be dynamic, iterative, and responsive to business climate changes constantly adjusting and refining tools and competencies to reposition the workforce to achieve maximum positive outputs.
11. Human risk management should be capable of continuous improvement and enhancement by maintaining a high level of strategic planning, preparedness, and engagement in the on-going business goals.

I believe Human Risk Management should replace Human Resource and Human Capital Management as the blended discipline of applying risk management principles to human engagement to mitigate and manage risk exposure to bad outcomes while working to maximize positive outcomes. Risk management is more than the application to safety and compliance requirements. What of the risks associated with poor leadership? This blended approach to workforce development can provide a structure based on quantifiable analysis of risk exposure and mitigation of vulnerabilities.

Why shouldn't the work of HR be the blended discipline of mitigating the risk of humans while facilitating the harvest of our brilliance and creating best business practices? Many Human Resources' tasks are already oriented toward risk management such as:

- Investigating potential hires to determine if there is increased probability of risk from prior documented behaviors. (Rule #4)
- Reducing the risk of poor performance of new hires through assimilation, training, and clear transparency of accountability measurements. (Rule #9)
- Valuing the self-led capabilities of employees on a periodic basis to determine if they are supporting the strategic direction of the organization. (Rules #1, #2, #8, and #11)
- Evaluating employees' work ethic through continuous measurement of effectiveness and results. (Rules #5, #11)
- Identifying employees' strengths and weaknesses and how they can best serve the organization. (Rules #1, #2)
- Addressing employees' health and welfare through employee benefit programs such as health insurance and EAP. (Rule #8)

HR is already managing risk - there are examples of HR management and processes which support each of the eleven principles of risk management. Application of risk management principles creates quantifiable structure and metrics around the discipline - a goal of Human Resources for the past decade or more. And Risk Management is already viewed as a strong discipline by Finance.

The risk is in not recognizing the risk.

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