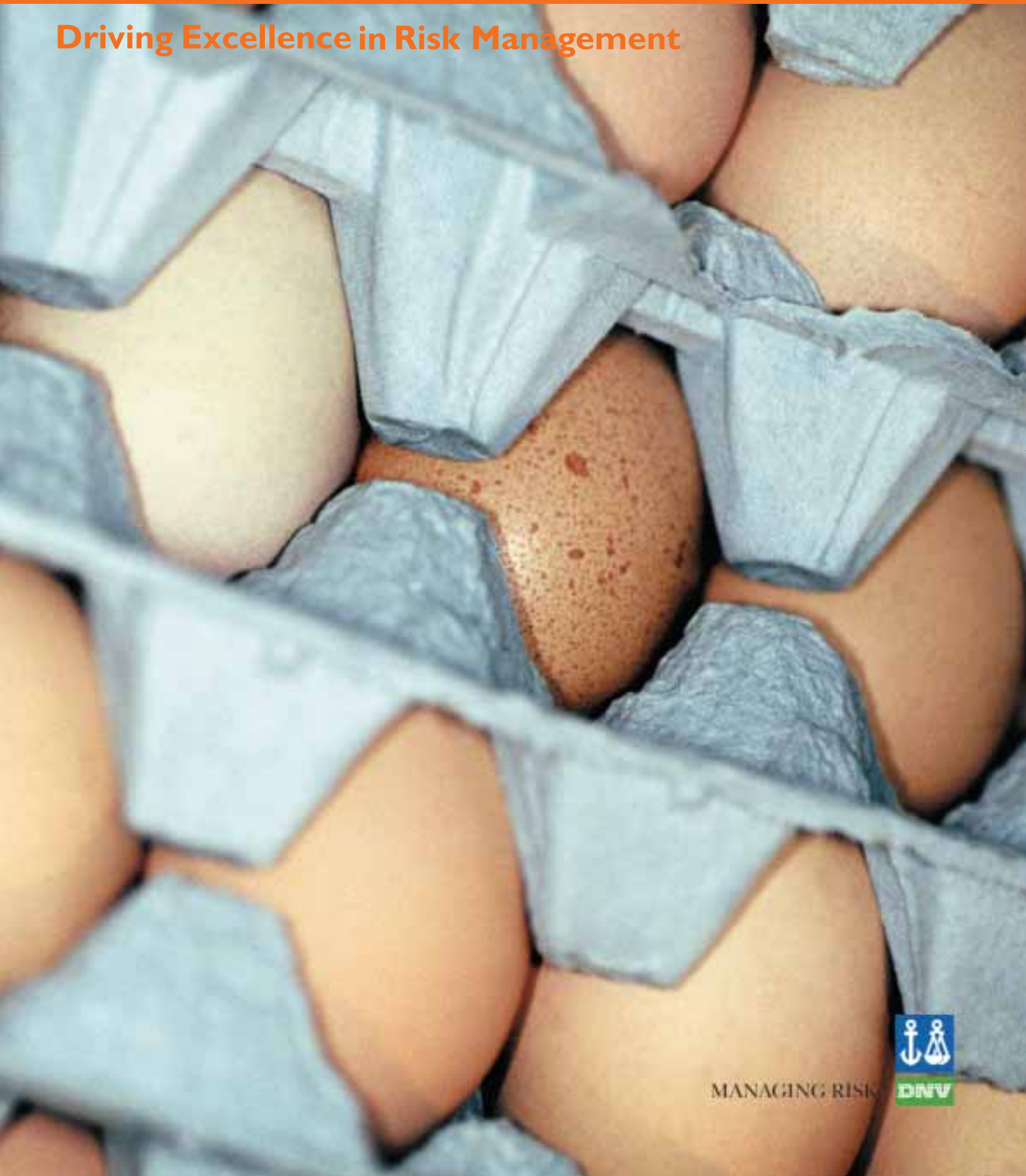




The EFQM Framework for Risk Management

Driving Excellence in Risk Management



MANAGING RISK

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Information on EFQM and DNV

Det Norske Veritas (DNV) has been a member of EFQM since 1989. Today the European Foundation for Quality Management (EFQM®) and DNV have a strategic alliance to promote risk management to European organisations and their partners. As part of this alliance, the EFQM Framework for Risk Management has been developed jointly by EFQM and DNV Consulting, the Risk Management consulting business of DNV.

Information on EFQM

EFQM® is a membership-based not-for-profit organisation, created in 1988 by fourteen leading European businesses, with a Mission to be the driving force for sustainable excellence in Europe and a Vision of a world in which European organisations excel.

EFQM has promoted the concept of partnership with similar national organisations in Europe to help promote sustainable excellence in European organisations. These national organisations work with EFQM to promote the EFQM Excellence Model and related Frameworks. Contact details for EFQM partners can be found on the EFQM website (www.efqm.org).

There are over 700 member organisations of EFQM from all European countries and most sectors of activity. Together with its National Partner Organisations (NPOs) in each European country, the membership network runs to thousands of organisations with several million individuals employed in those organisations.

The EFQM Excellence Model is the most widely used organisational management framework in Europe, used by at least 30,000 organisations across more than 25 European countries and increasingly outside Europe, particularly in the Middle East and South America. The Model has been systematically reviewed and improved through more than 10 years of continuous use and is supported through a network of national partners and licensed trainers.

In addition to being the owner of the EFQM Excellence Model and managing the European Quality Award, EFQM also provides a portfolio of related organisational improvement services for its members.

Information on DNV

DNV is an independent foundation with the objective of safeguarding life, property and the environment, and is a leading international provider of services for managing risk. It is a global partner of EFQM for Risk Management, Corporate Social Responsibility and Management Training.

DNV Consulting is a different type of consulting firm, offering advanced cross-disciplinary competence within management and technology. The company has a firm base in DNV's strong technological competencies, international experience, and unique independence as a foundation. Its 400 highly skilled and experienced consultants serve international clients from locations in Norway, UK, Germany, Benelux and the USA, with full access to DNV's worldwide network. More information on DNV Consulting can be found at: www.dnv.com/efqm.

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6 I. Introduction

The EFQM Framework for Risk Management is a top-level framework designed to help organisations achieve excellence in their management of all categories of risk. It is based on the EFQM Excellence Model - which is used by over 30,000 organisations in Europe - and therefore gives organisations the opportunity to co-ordinate risk management activities using an approach of demonstrated value. This basis also means that it can be applied in all situations being holistic and universal, and is particularly easy to use for those familiar with the EFQM logic.

The importance of Risk Management is illustrated by organisations that have been devastated by the ineffective management of risks. Recent examples of corporate collapse include that of Barings Bank, Parmalat, Arthur Andersen, Enron and Worldcom. The importance of Risk Management is also illustrated by industrial accidents such as the explosion on the Piper Alpha Oil Platform, the spilling of oil from the Exxon Valdez, the nuclear release from Chernobyl and the release of methyl isocyanate at the Union Carbide plant in Bhopal, India. Each of these catastrophes was caused by a chain of events that were preventable, and would have been prevented by appropriate Risk Management and Corporate Governance. Indeed, failure in terms of leadership; policy and strategy; people; partnerships and resources; and processes, criteria of the EFQM Excellence Model (see figure 1), are all associated with the catastrophes above.

Use of this Framework requires an understanding of the EFQM Excellence Model, which was itself developed to help guide organisations improve performance on all fronts. The EFQM Excellence Model is based on the premise that excellent results, with respect to performance, customers, people and society, are achieved through leadership driving policy and strategy that is delivered through people, partnerships and resources, and processes.

Figure 1: The EFQM Excellence Model



There are essentially two parts to the EFQM Excellence Model: the 'enablers' and 'results', where the 'enablers' underpin the 'results'. The Model's nine boxes represent the criteria against which an organisation's level of excellence can be assessed.

The innovation and learning arrows flowing around the Model emphasise its dynamic nature. They illustrate that improving enablers will, in turn, lead to improved results. The learning cycle within the Model implicitly includes the challenge of benchmarking against