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Managing disruption-related risk



AS/NZS 5050 (Int):2020

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- Australian Local Government Association
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Interim
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Managing disruption- related risk

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Preface

This interim Standard was prepared by the Joint Standards Australia/Standards New Zealand Committee OB-007, *Risk Management*, to supersede AS/NZS 5050:2010, *Business continuity — Managing disruption-related risk*. Content relating to business continuity in AS/NZS 5050:2010 has been removed and is superseded by AS ISO 22301 *Security and resilience — Business continuity management systems — Requirements*. Content relating to disruption related risk has been retained in the revised AS/NZS 5050:2020.

The objective of this document is to provide guidance on the unique nature of disruption-related risk and different approaches required for its management. This guidance should be used in conjunction with existing risk management arrangements that an organization may use.

This document assists decision-makers to better understand the conditions that may give rise to disruption, how early indications of the emergence of such conditions can be detected, and how more effective decision-making can be achieved. Disruptive events can exceed, even temporarily, an organization's routine management capability. Disruptions can also create opportunities. The document advocates watching for and being in a position to exploit such possibilities. Managing the adverse and beneficial aspects of disruption can create strategic and tactical advantage in complex and volatile environments, enhance an organization's resilience potential, and contribute to long term sustainability.

The approach described in this document is consistent with AS/NZS ISO 31000:2018 and is applicable to a wide range of organizations including all levels of government, communities, not-for-profit and commercial organizations.

Attention is drawn to the fact that this document is an Interim Standard and should be regarded as a developmental Standard and liable to future alteration.

This document will have a currency of two years from its date of publication. At the conclusion of that period it will be superseded by another Standard, confirmed as an Interim Standard in its present form for a further one year period or withdrawn.

The term "informative" is used in Standards to define the application of the appendices to which they apply. An "informative" appendix is only for information and guidance.

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Introduction

AS/NZS 5050:2010 was originally published to provide an approach to align various organizational continuity and contingency arrangements with contemporary risk management. Over the last decade there have been significant changes in understanding about disruption, in particular, the limitations of many conventional risk management and continuity approaches for dealing with high uncertainty. Disruption-related risk should be an integral part of an organization's broader risk management thinking. This has provided the impetus for a complete revision of the Standard.

NOTE The following two paragraphs include content from *Thinking About Risk Management and Disruption*, Copyright © 2018 Dr Carl A. Gibson and Michael Tarrant. Available from: <https://www.linkedin.com/pulse/thinking-risk-management-disruption-carl-gibson/>

All organizations deal with change in both their internal and external environments and in their interactions with those environments. Business-as-usual can deal with small perturbations in the routine environment that are encountered daily, but disruptive situations require an organization to operate in a non-routine way. Today's environment is increasingly characterized by high levels of uncertainty amplified by volatility, complexity and ambiguity. This poses an ongoing challenge to organizational performance. Many organizations are faced with rapid, extensive and often unanticipated change. This is typically dealt with reactively and generally not well handled.

Such change can be a surprise or a shock to an organization and may result in significant disruption to the organization's pursuit of its purpose and objectives. The level of change can erode the effectiveness and timeliness of decision-making. Disruptive change can also arise from the unanticipated outcomes of decisions and planned activities. This disruption is commonly a result of the cumulative effect of multiple small progressive changes, which can then manifest as an apparent sudden and dramatic change.

Potentially disruptive conditions can arise from unexpected changes in, for example, stakeholder expectations, new strategies adopted by competitors, emerging technologies, staff capacity, availability of finance, the requirements of new legislation, deliberate, malicious or criminal actions of others, collapse of supply networks, the impacts of natural events, etc.

To maintain organizational performance and to avoid either abrupt or progressive failure, organizations need to have the capability to adapt to such changes. This requires deep and systematic thinking, the adjustment (or abandonment) of conventional management techniques, and the adoption of more adaptive non-routine arrangements.

Such approaches enable an organization to quickly focus on stabilizing an evolving situation, maintaining or resuming the most important functions, and working towards eventual restoration of routine operations and full achievement of objectives.

Decisions about disruption-related risk should consider treatments that will both reduce the occurrence and scale of potential events that could cause disruption and develop the adaptive capacity to adjust to its evolving environment. This will, by necessity, require that scarce resources are most effectively and efficiently allocated to the achievement of objectives.

Managing disruption-related risk

Section 1 Scope and general

1.1 Scope

The Standard describes the application of the concepts and techniques for managing disruption-related risk and disruption, to help any organization achieve its priority objectives in both routine and non-routine conditions.

The Standard accommodates the better practice concept of an “all hazards approach”, developing a suite of integral arrangements that are able to deal with a diverse range of potentially disruptive events.

The Standard is designed to be compatible with AS ISO 31000:2018 and can also be applied within any other risk management arrangements that organizations may decide to use.

1.2 Referenced documents

AS ISO 22301, *Security and resilience — Business continuity management systems — Requirements*

AS ISO 31000:2018, *Risk Management — Guidelines*

ISO Guide 73:2009, *Risk Management — Vocabulary*

1.3 Terms and definitions

1.3.1

all hazards approach

integrated approach that involves developing broad preparedness, decision-making, response and recovery capabilities that can deal with a full spectrum of different disruption-related risk and disruptive conditions

Note 1 to entry: This is different to other traditional approaches that are designed to deal with specific predicted situations or a narrow range of risk and conditions using stand-alone processes.

1.3.2

crisis

unexpected non-routine situation that is beyond the capacity of normal management structures and processes to deal with effectively, has both strategic and operational implications, and is often perceived as a potential existential threat

Note 1 to entry: A crisis may require significant diversion of management time, attention and resources away from normal routine operations to respond to the situation.

Note 2 to entry: A crisis is often accompanied by a loss of stakeholder confidence in the organization.

Note 3 to entry: A crisis is associated with high intensity of change and impact, and a high urgency for decisions and action.

Note 4 to entry: A crisis is characterized by rarity, novelty, and complexity.

1.3.3

disruption

event or changing conditions where routine modes of operation are interrupted, degraded or impaired, or where the ability to achieve purpose or key objectives is otherwise compromised

Note 1 to entry: Disruptive conditions: any change in the internal or external environment, that if not addressed could lead to a disruption.

Note 2 to entry: Disruptive event: the conditions under which a disruption has occurred or is probable.

Note 3 to entry: Disruption effect: the impacts imposed by a disruptive event.