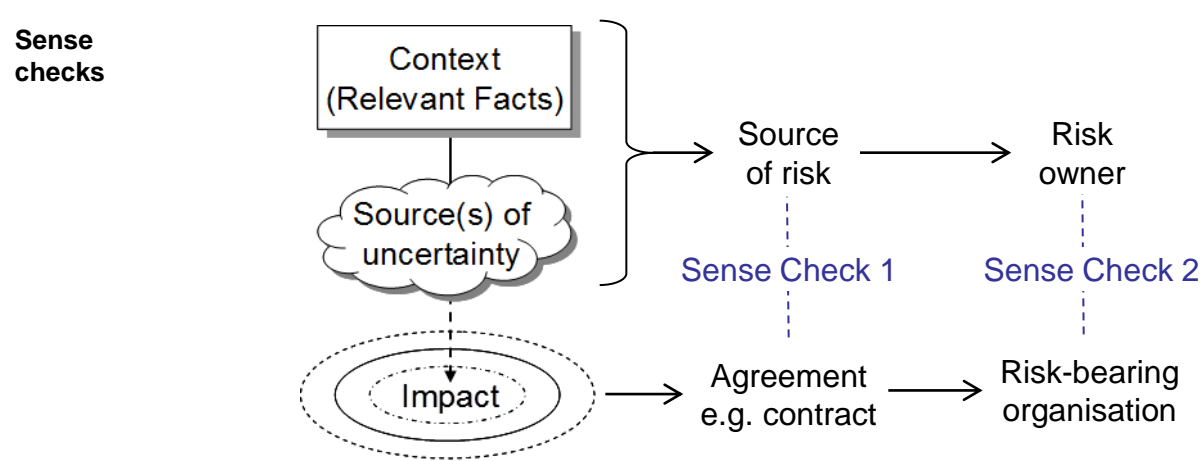


Purpose	Assign risks to the most appropriate person and organisation
Two aspects of ownership	<p>A capable risk management process will take into account two aspects of risk ownership:</p> <ul style="list-style-type: none"> •Assignment of responsibility for the management of risks to individuals (risk owners) •Identifying how the impact of risk will borne by the organisations involved (risk-bearing organisation)
Importance	<p>First, risks that are not owned are often not managed. Clarity about personal responsibilities is thus important to process effectiveness.</p> <p>Second, understanding how the impact of risk will be borne by the organisations involved is a useful means of understanding how the parties involved are likely to behave. The concept of risk-bearing organisation is therefore a useful tool for contract design and negotiations.</p> <p>Finally, there is an important link between these two aspects of risk ownership – people work on behalf of organisations. The implications of this link can be used to sense check a project’s risk management plans.</p>
Risk owners	It is recommended that the risk owner for each risk should be the person who has the most influence over its outcome. Selecting the risk owner thus usually involves considering the source of risk and identifying the person who is best placed to understand and implement what needs to be done.
Risk-bearing organisation	The risk-bearing organisation is the one that would bear the financial impact of the risk involved. This approach reflects the fact that money can be generally be transferred between parties in a way that time and product impact cannot. Identifying the risk-bearing organisation usually involves understanding how the obligations of parties defined by agreements, e.g. contracts, are related to the transfer of money. Sometimes risk is shared, particularly if there is a mutual benefit to be gained from doing so.



Sense check 1: Check the alignment of project agreements with sources of risk

Having identified key risks, it should be possible to verify whether or not the risk-bearing organisation for each risk is the one that is best able to influence its outcome, given the source of risk involved. If there is a lack of clarity about which organisation would bear the risk or if, given the relevant agreements, one organisation would bear the financial consequence of a risk that another organisation influences, this would indicate weaknesses in the agreements concerned. Typically, such weaknesses lead to inefficient project solutions, unsustainable commercial relationships or conflict between the parties.

Sense check 2: Check that risk owners are employed by the risk-bearing organisation

Having identified both risk owners and the risk bearing organisation for each risk, it should be possible to verify whether or not each risk owner works on behalf of the risk-bearing organisation. If the owner of a risk is employed by the risk-bearing organisation, they will be incentivised to manage the risk effectively. In contrast, if the risk owner is not employed by the risk bearing organisation, this incentive may be absent. This may lead to either inaction or counterproductive behaviour – a risk to one organisation may be an opportunity to others.