

RISK MANAGEMENT AND OUTSOURCING

DENNIS GOODWIN, BROADLEAF CAPITAL INTERNATIONAL PTY LTD
Public Sector Risk Management Conference, Brisbane, 29-31 May 2001



Public Sector Risk Management Conference
The Public Sector in Australia - Turning risk into opportunity

RISK MANAGEMENT AND OUTSOURCING -- AN INTEGRATED APPROACH

DENNIS GOODWIN
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RISK MANAGEMENT & OUTSOURCING – THE INTEGRATED APPROACH

“GUIDELINES FOR MANAGING RISK IN OUTSOURCING UTILIZING THE AS/NZS 4360 PROCESS” WAS PUBLISHED IN NOVEMBER 2000.



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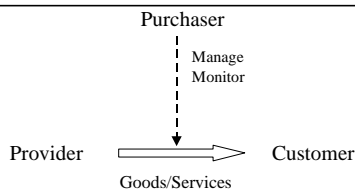
TOPICS

- What is meant by outsourcing
- Opportunities created through outsourcing
- Adverse risks associated with outsourcing
- The outsourcing process
- Overview of the risk management process
- The integrated approach
- Issues that need to be addressed
- Activity performance improvement options
- Marketing outsourcing initiatives
- With outsourcing comes change
- Major impact of outsourcing
- Risks if you don't get it right
- Consequences of not getting it right

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WHAT IS MEANT BY OUTSOURCING?



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OPPORTUNITIES CREATED THROUGH OUTSOURCING

- REMOVAL OF MANAGEMENT CONSTRAINTS
- ACCESS TO SPECIALISED EXPERTISE
- ECONOMIES OF SCALE OF SPECIALIST PROVIDER
- RE-DIRECTION OF RESOURCE SKILLS

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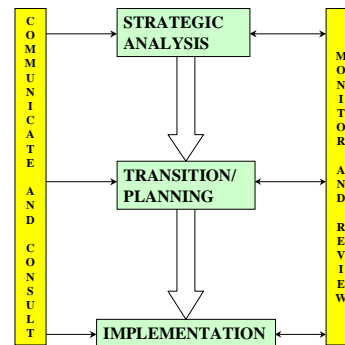
ADVERSE RISKS ASSOCIATED WITH OUTSOURCING

- POSSIBLE ADVERSE CHANGES TO NATURE & COMPETENCE OF AN ORGANISATION
- FULL COSTS OF OUTSOURCING MAY NOT BE CONSIDERED
- ADDITIONAL SKILLS MAY NEED TO BE ACQUIRED TO MANAGE THE CONTRACT(S)
- POSSIBLE LOSS OF TECHNICAL EXPERTISE WITHIN ORGANISATION

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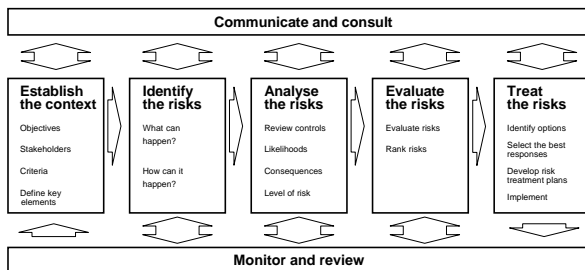
THE OUTSOURCING PROCESS



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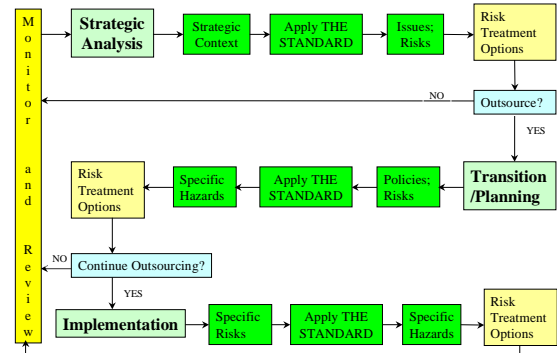
OVERVIEW OF THE RISK MANAGEMENT PROCESS



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THE INTEGRATED APPROACH



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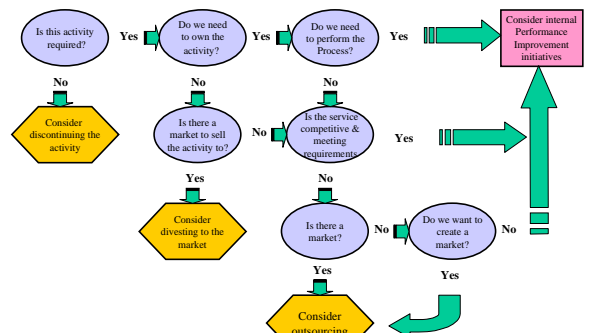
ISSUES THAT NEED TO BE ADDRESSED

- ANY INITIAL CONSIDERATION OF A PROPOSED OUTSOURCING INITIATIVE SHOULD BE CONSIDERED AT THE STRATEGIC LEVEL
- OUTSOURCING DOES NOT TRANSFER THE GOVERNANCE, ACCOUNTABILITY OR ALL RISKS
- ONE SIZE DOES NOT FIT ALL
- NOT ALL COSTS ARE VISIBLE

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ACTIVITY PERFORMANCE IMPROVEMENT OPTIONS



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MARKETING OUTSOURCING INITIATIVES

OUTSOURCING INITIATIVES NEED TO BE EFFECTIVELY MARKETED

NEED TO UNDERSTAND STAKEHOLDERS:

- ENABLERS
- BLOCKERS

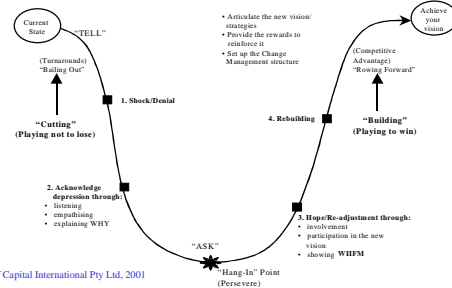


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WITH OUTSOURCING COMES CHANGE

"ROLLER COASTER OF CHANGE"



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MAJOR IMPACT OF OUTSOURCING

- CHANGE IN RELATIONSHIPS WITH CONTRACTED CO-WORKERS
- DIFFERENT SKILLS REQUIRED
- MORE ATTENTION REQUIRED TO STRATEGIC PLANNING
- ARRANGEMENTS SET UP BY A PREVIOUS GOVERNMENT, WILL NEED TO BE ADHERED TO
- THE NUMBER OF NON-MANAGED RISKS IS LIKELY TO BE CONSIDERABLE

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RISKS IF YOU DON'T GET IT RIGHT

- CONFLICT IN VALUE CHAIN
- DIFFERING GOALS AND OBJECTIVES
- RISK OF STRATEGIC DRIFT
- LACK OF COMMITMENT BY LINE MANAGERS
- NON-ACCEPTANCE BY STAKEHOLDERS
- LOSS OF CONTROL OF ORGANISATION'S FUNCTIONS

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CONSEQUENCES OF NOT GETTING IT RIGHT

- LOSS OF IN-HOUSE EXPERTISE



- COSTS OF RE-ESTABLISHMENT



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FOOD FOR THOUGHT

- "SUCCESSFUL RISK MANAGEMENT REQUIRES FIRSTLY, A PERCEPTION OF RISKS WHERE IT EXISTS.
- SECONDLY, IT DEMANDS A WILLINGNESS TO DEAL POSITIVELY WITH ISSUES WHICH ARE NOT SIMPLY BLACK AND WHITE.
- IN THE BUSINESS OF PROVIDING SUPPORT TO DECISION MAKERS UNDER RISK, THE SECOND STEP, AFTER IDENTIFYING A GENUINE HIGH-RISK SITUATION, IS TO FIND AN INDIVIDUAL IN AUTHORITY WHO WILL RESPOND POSITIVELY TO THE CHALLENGE"

KRANTZE, 1990, P.3

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BROADLEAF'S RISK MANAGEMENT SERVICES

- Strategic & policy risk management
- Project & procurement risk management
- Risk assessment workshop facilitation
- Risk management plans & implementation
- Quantitative risk & financial modelling
- Risk assessment for private financing options
- Risk management training
- Risk management procedures & review

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