JNW STRATEGIC CONSULTING

BPR BUSINESS PROCESS RISK Conversations

Welcome to our first JNW "BPR Conversations" newsletter.

BPR stands for "Business Process Risk". For the last 18 months, JNW has been providing BPR solutions including risk management, business process efficiency, internal audit and assurance. From cash controls, procurement, regulatory compliance, business continuity and risk frameworks, our aim is to assist Management with the achievement of their strategic objectives.

BPR Conversations is aimed at provoking strategic thought on topical business performance issues. In this issue we consider the value of risk being part of strategic planning, take a look at 10 current typical risks, identify how to save costs through efficient procurement and detail an easy six step risk management process. I hope you enjoy it and please provide any feedback, ideas or areas of interest.

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Time to review your Strategic Plan and Risks

With the March quarter quickly slipping away, it is an opportune time to develop your 2015/16 strategic plan, including reviewing your vision and establishing new strategic objectives.

However, with ongoing political, economic, social and environmental tensions, strategic plans should consider external impacts such as climate change, terrorism, emerging technologies such as social media and cloud computing, and the need to innovate service delivery models.

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."
—Charles Darwin

Ideally, when developing your plan you should identify the risks that may impact the successfully implementation of the strategic objectives and build resilience against them. By knowing your risk universe you can enhance your capacity to act and take advantage of opportunities in a risk effective manner.

Connecting risk with your strategic planning process can provide significant value and increase your chances of success.

Over the page is a proven six step process to help manage risk and increase risk intelligence.

10 Typical Strategic Risks

1. ***Strategy Failure*** - Lack of a focused strategy creating uncertainty with regard to value drivers and governance structures
2. ***Economy*** - Negative global and/or local economic conditions and geopolitical events impacting local wealth and financial sustainability and causing increased unemployment and asset price collapse
3. ***Failure to Innovate*** - Disruptive technologies and innovations that significantly change current service delivery models, impacting long term financial viability
4. ***Political Uncertainty*** – Change in government policy resulting in loss of funding or increase in operating costs
5. ***Asset Management*** – Failure to appropriately maintain and renew critical infrastructure, taking into account climate change impacts
6. ***Loss of Data*** – Privacy breaches and financial loss brought about by inadequate or vulnerable IT systems and access security resulting in data theft: loss of private information/financial data/competitive intelligence
7. ***Contract Management*** – Inadequate control framework to manage third party contractors, resulting in poor service quality, inability to deliver critical services or financial loss
8. ***Business Continuity*** – Inadequate continuity plans to enable timely recovery of critical systems from a significant disruptive event such as terrorism/natural disasters/ financial fraud/pandemic/loss of IT systems
9. ***Regulatory Compliance*** – Failure to comply with legislative requirements, resulting in penalties/legal action/employee safety/public health issues
10. ***Service Delivery*** – Inefficient service delivery platforms and lack of staff succession, recruitment and retention, causing lack of competitiveness and inability to appropriately service the customer

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Procurement – is yours efficient and focused on savings?

With a tight economy, pressure is ever increasing on the Executive to find ways to reduce costs. One strategy that is bringing significant benefits to a lot of entities is outsourcing non-core services. However, this only achieves its goals if the procurement process, from planning to managing the procurement, is working effectively.

An efficient procurement framework is one that demands procurement be conducted in a transparent, competitive manner, provides methods that obtain best value for money, manages risks and complies with all legislative requirements.

When considering whether your procurement framework is efficient and providing value for money, determine if the process of obtaining quotes/ conducting tenders is easy and effective, how expired contracts are dealt with, is the function centralised or decentralised, are preferred supplier panels established and being leveraged, is bulk purchasing a consideration and how many suppliers are in the accounts payable system and can they be consolidated. To ensure your purchasing is effective and saving you money, it may be time to step back and review the process.

A strategic procurement review should determine:

- Whether there is a clear concise procurement policy that covers all forms of procurement, has designated purchasing method thresholds and delegations and provides simple acquisition workflow templates
- When the last time data analysis of procurement information was conducted. Analysis should consider transaction values, vendor usage, items purchased and purchase location
- Whether preferred supplier panels are used, bulk purchasing opportunities leveraged and purchasing centralised
- Skillset and efficiency of the procurement function
- The strength of the contract management process and whether value for money is being achieved
- The level of transparency and accountability with regards to decision making, both acquisition and service performance

Question: What does the orange wedge in the JNW logo mean? It implies "we add another piece/another dimension" including:

- Skillsets
- Senior Resources
- Innovation
- Better Practice
- Assurance

Risk Management Process

Step 1: Identify Risks
- What could impact the achievement of Strategic Objectives/Department Plans
- Document event and impact

Step 2: Evaluate Controls
- Identify/document controls
- Assess effectiveness

Step 3: Analyse Risk Tolerance
- Determine "Likelihood" of event occurring
- Evaluate "Consequence" of the event occurring

Step 4: Risk Rating
- Calculate the residual risk rating (map likelihood and consequence)
- Record in risk register

Step 5: Treat Risks
- Develop treatment plans
- Assign responsibility and timeframes

Step 6: Monitor Risks
- Monitor treatments/controls
- Continually review risks
- Report on risks

JNW STRATEGIC CONSULTING
Business Process Risk Professionals

Valued Risk Insights through:
- Experience
- Professionalism
- Industry Expertise
- Personal Delivery

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