

The following presentation was given at:

SCAF Workshop **“Modelling Risk and Uncertainty”**

Tuesday 20th November 2018
BAWA Centre, Bristol

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Fast forward to the future – the shape of risk to come

*Val Jonas, CEO Risk
Decisions Group
Nov 20th 2018*



*Management owned,
risk management and analysis
experts since 1985*

OUR VALUES

- Trusted
- Considerate
- Stronger together
- Adventurous

OUR MISSION

**To transform risk into
a force for good for
organisations globally**





- Embracing risk
- The business case for risk
- Connecting risk
- Risk engagement
- Transforming risk



EMBRACING RISK

**72% of directors surveyed agreed there is a
risk averse decision-making culture on
Australian boards**

Australian Institute of Company Directors, Director Sentiment Index survey, April 2018

Risk Decisions' research 2018

“

“Risk is a necessary component of progress”

Jeff Bezos, CEO Amazon

Risk Decisions' research 2018



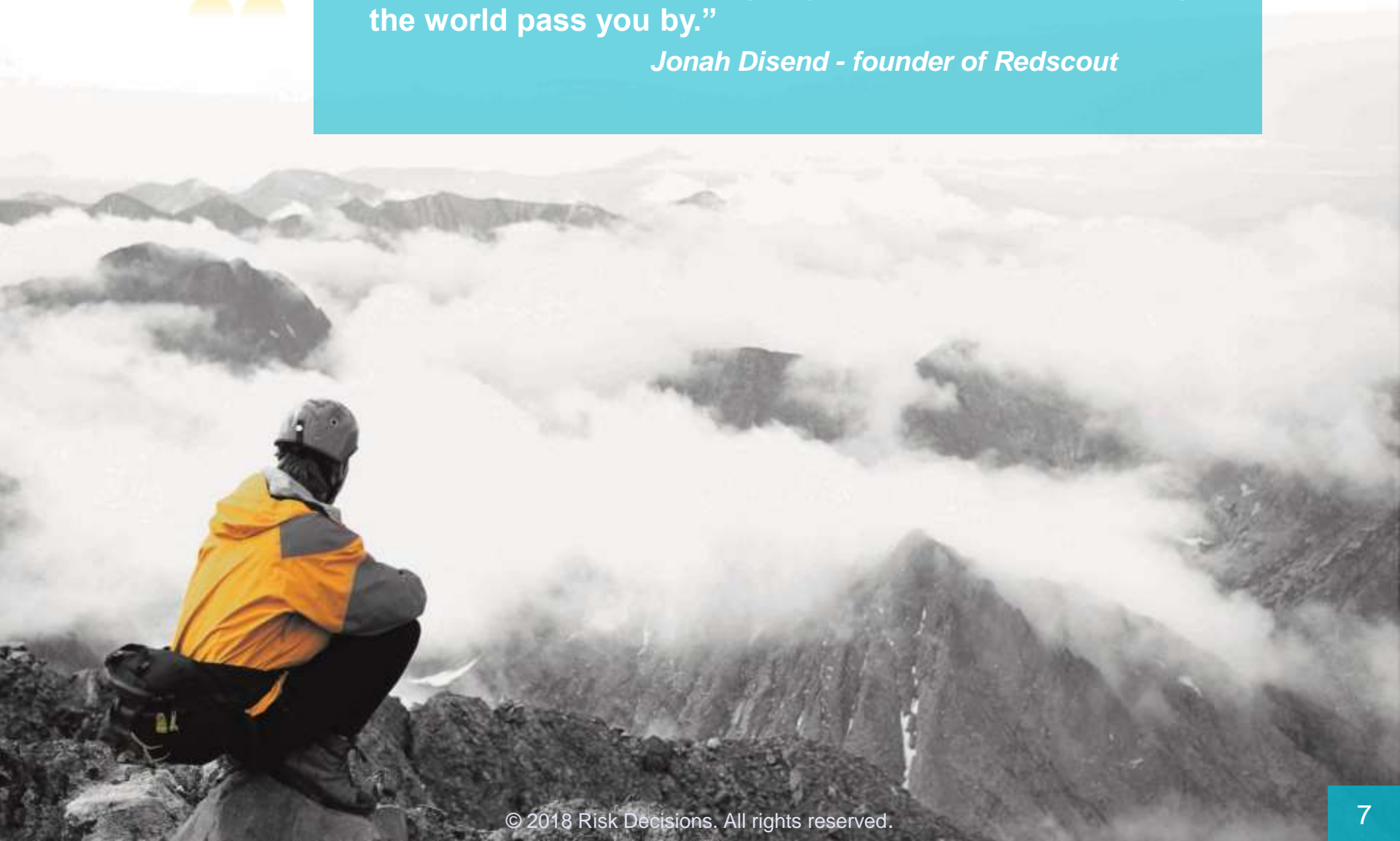
**“It is not the manager’s job to prevent risks.
It is the manager’s job to make it safe to take
them”**

*Ed Catmull, President of Pixar Animation and Disney
Animation*

“

“The real risk is not taking any risks at all and watching the world pass you by.”

Jonah Disend - founder of Redscout





EMBRACING RISK

How do we change attitudes towards risk?

- At management level?
- Within teams?
- Through the supply chain?
- With your customers?

Take the fear out of risk
- our role as risk practitioners

The headache of a **Project Killer** risk

How to deal with it?

Bid 1: 37 items visible

Filters Edit List Bulk Update Export to Excel Import Schedule Reports

ID	Name	Probability	Financial min	Financial likely	Financial max	Financial units	Score
T-19	No mapping survey for services	60	297,500	350,000	455,000	€	Major (12)
T-31	Asbestos	20	425,000	500,000	650,000	€	Major (11)
T-28	Emergency return to service	90	170,000	200,000	260,000	€	Major (11)
T-22	Interaction between outages	90	95,000	120,000	135,000	€	Major (11)
T-47	Spoil may have to go off site	10	425,000	500,000	650,000	€	Significant (9)
T-37	Outage due to unavailability of engineers	1	1,700,000	2,000,000	2,600,000	€	Significant (9)
T-33	Wildlife	50	85,000	100,000	130,000	€	Significant (9)
T-20	Engineers commandeered by another project	10	425,000	500,000	650,000	€	Significant (9)
T-41	Long manufacturer lead times extending	20					
T-36	Engineering resource - safety documents	20					
T-35	Heavy Load Route	10					
T-14	Foul drain and pump	50					
T-13	Capacity limitations	10					
T-39	Environmental survey's adequacy	20					

Large Project

Probability	Very High	5	7	11	15	24	current Target
	High	4	6	9	12	19	
	Medium	3	5	8	11	15	
	Low	2	4	6	9	11	
	Negligible	1	3	5	7	9	
		Negligible	Low	Medium	High	Severe	

Impact

Confronting the **Killer** risk

Most common
cost outcomes

100% confidence of
€2 440 000





THE BUSINESS CASE FOR RISK

We can 'sell' the benefits of investing in risk

- To senior managers
- To the team
- To customers

Large risks are a business case in their own right
– the earlier you start, the cheaper it gets



CONNECTING RISK

We can support smarter decision- making

- Across functions
- Basement to boardroom
- Projects to operations

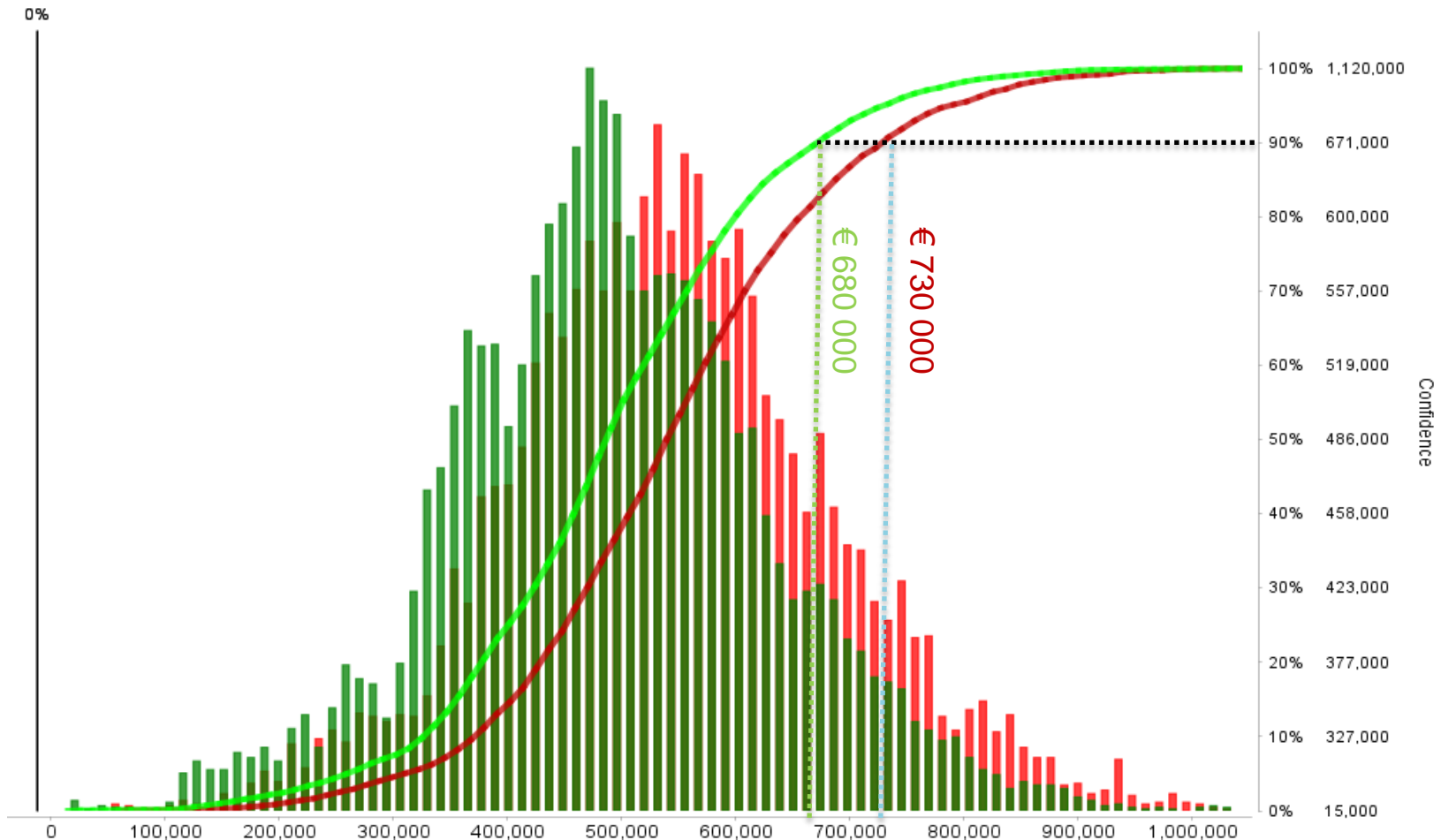
Join the dots for smarter decision-making

Savings for one project

Before central mitigation taken

After central mitigation taken

A mitigation cost of €100,000 may not look effective for one project



Common Risks

A view of risks by source across the portfolio

Portfolio risks by source: 110 items visible

Filters Edit List Bulk Update Export to Excel Reports

ID	Cluster	Risk Source	Probability - current	Risk Source	Confidences		
					10%	50%	90%
T-247	Bid 2	Commercial	75	Contractor	€ 1 106 994	€ 2 055 621	€ 3 990 307
T-197	Bid 3	Commercial	90	Engineering Resources	€ 1 808 200	€ 2 133 290	€ 5 342 374
T-22	Bid 1	Commercial	90	Poor requirements	€ 1 342 100	€ 2 463 900	€ 3 183 200
T-214	Bid 3	Commercial	20	Legal	€ 25 300	€ 75 000	€ 112 400
T-299	Project X	Commercial	20	IT	€ 401 380	€ 629 485	€ 1 006 671
T-241	Project X	Commercial	5	Commercial	€ 218 267	€ 327 434	€ 378 981
T-27	Bid 1	Commercial	5				
T-202	Project Z	Commercial	5				
T-236	Bid 2	Engineering Resources	75				
T-208	Bid 3	Engineering Resources	50				
T-33	Bid 1	Engineering Resources	20	85,000	130,000	100,000	Significant (9)
T-20	Bid 1	Engineering Resources	10	-425,000	650,000	500,000	Significant (9)
T-39	Bid 1	Engineering Resources	20	42,500	65,000	50,000	Minor (5)
T-253	Bid 2	Engineering Resources	17.5	42,500	65,000	50,000	Minor (4)
T-220	Bid 3	Engineering Resources	20	8,500	13,000	10,000	Minor (3)

Investing in **central actions** across the portfolio could deliver a good return on investment

Savings across the portfolio

Before central action taken

After central action taken

Mitigation spend looks more appetising applied strategically!

Risk Source	Confidences		
	10%	50%	90%
Contractor	€ 1 106 994	€ 2 055 621	€ 3 990 307
Engineering Resources	€ 1 808 200	€ 2 133 290	€ 5 342 374
Poor requirements	€ 1 342 100	€ 2 463 900	€ 3 183 200
Legal	€ 25 300	€ 75 000	€ 112 400
IT	€ 401 380	€ 629 485	€ 1 006 671
Commercial	€ 218 267	€ 327 434	€ 378 981

A saving of over €2.2m at the 90% confidence level

Risk Source	Confidences		
	10%	50%	90%
Contractor	€ 1 106 994	€ 2 055 621	€ 3 990 307
Engineering Resources	€ 7 890 543	€ 1 090 211	€ 3 134 216
Poor requirements	€ 1 342 100	€ 2 463 900	€ 3 183 200
Legal	€ 25 300	€ 75 000	€ 112 400
IT	€ 401 380	€ 629 485	€ 1 006 671
Commercial	€ 218 267	€ 327 434	€ 378 981

Outcomes:

Economies of scale across projects

Increased confidence

Increased competitiveness

Increased profit margins



RISK ENGAGEMENT

You can help embed a benefits- based risk approach

- Engage management
- Support risk champions
- Risk-based decision-making

KISS: Keep it simple (stupid)



SUCCESS STORIES

- > **Create a risk vision at board level**
- > **Establish a risk framework**
- > **Embed risk-based decision-making into the organisation**



TRANSFORMING RISK

**Let's make it
happen**

- Shaping the future
- Positive force for good
- A world of opportunity

We don't want to just play the game
we want to win the game



Thank you

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For a copy of our 'Leaders shaping the future' white paper (coming in the New Year) contact:
enquiries@riskdecisions.com