Managing risk in your strategy

Bus & Coach Association SA

Matthew Wilson
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Risk management… a business fundamental

"Risk can only be avoided by doing nothing, even then unexpected events occur"

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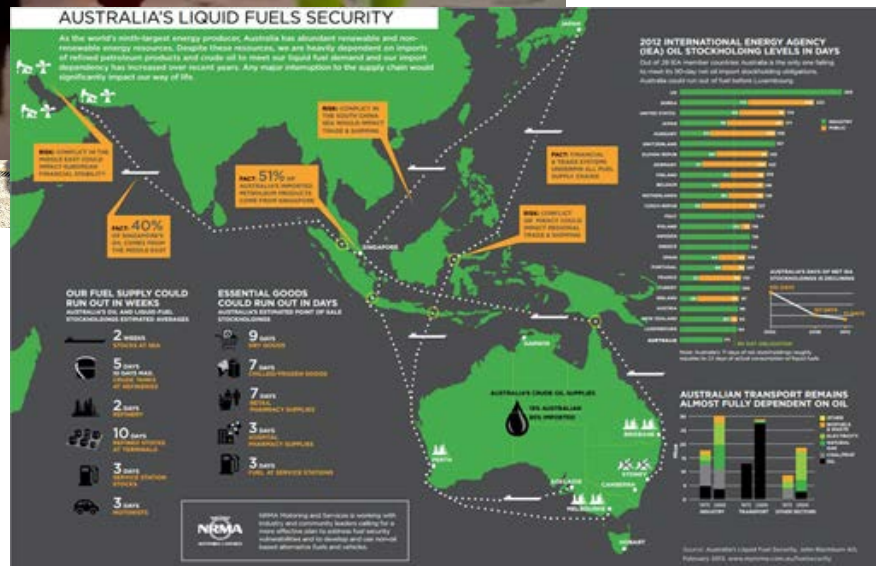
Risk management – How important is it?

Risks that turn into issues can have a significant impact on your business

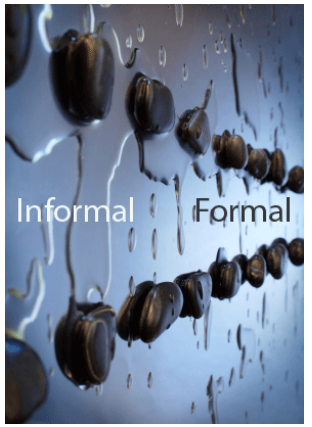


"The key to risk management is never putting yourself in a position where you cannot live to fight another day"

Risk management – why formalise it?

1. How do you know if you are not asking the right questions?
2. Focus the business on the future
3. Structured method to help identify (new) risks
4. Focuses the business on planning and mitigating
5. Allows mechanisms to effectively communicate risk
6. Allocates responsibility and accountability
7. Mechanism to monitor and report
8. Maps operational procedures and controls to strategic risk

Intuitive… yes. But it is a risky assumption that they are all being addressed.



Some other reasons to formalise…

Every Owner, Board Member (and certain executives) have a duty of care (S. 180 Corporations Act)

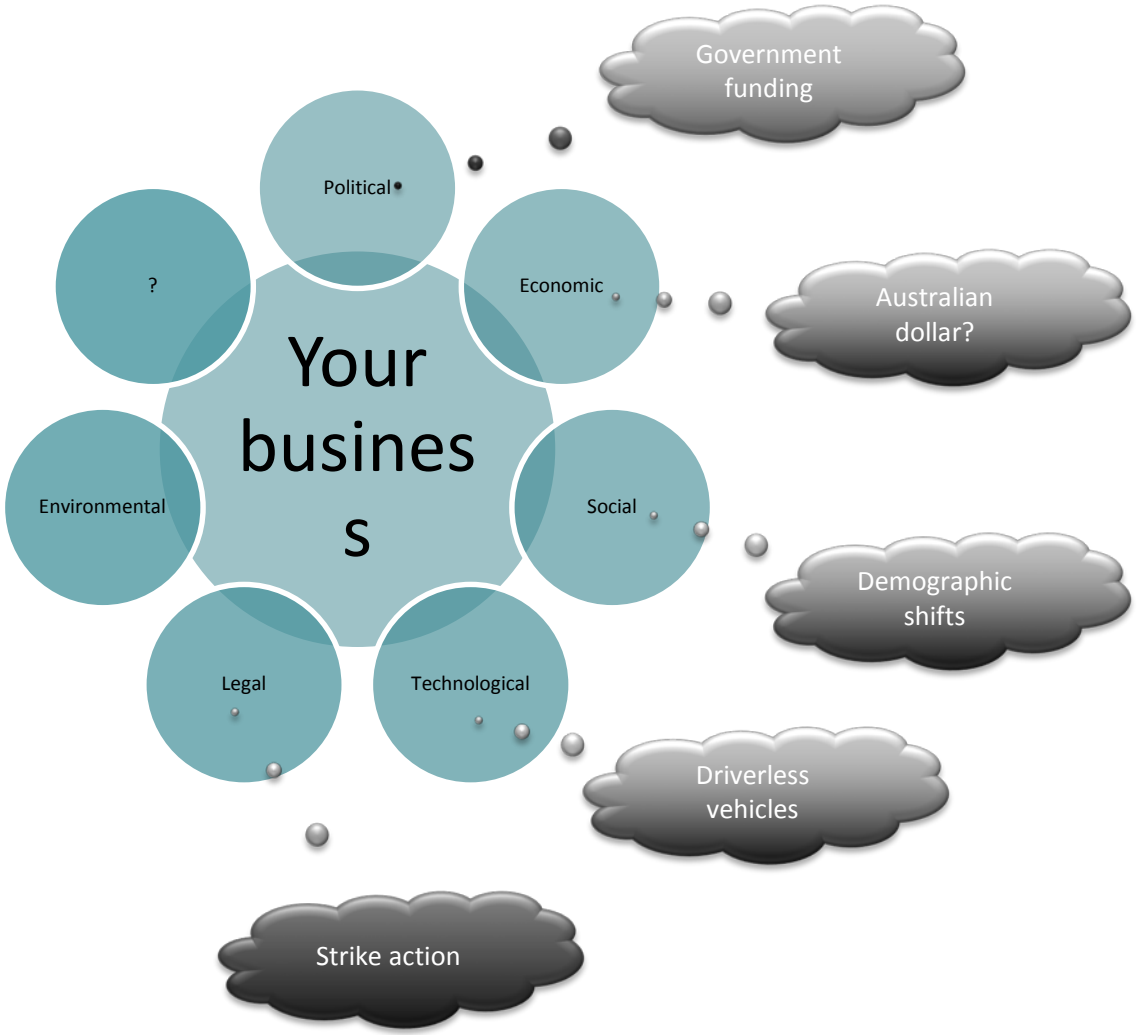
In considering Risk Management, a duty of care in general would require:

- That there are processes and systems in place to recognise, assess and manage risk
- That these risk management practices are effective throughout the business
- That risk monitoring systems are robust, effective and efficient
- That business continuity strategies and risk management policies exist, are regularly updated and applied in practice.

'We've considered every potential risk except the risks of avoiding all risks.'

Effective risk management practices can both protect your business as well as provide for opportunities

Risk management – Scan your environment



Environmental scanning… the process of gathering, analysing and linking information for the identification of risks to your business… both tactical and strategic

Based on facts and subjective information… uses judgement and intuition

Requires experience, research and a space to think and workshop

Ultimately… determine what may negatively impact your business

Take time to scan you environment for trends and changes that may impact your business…

Risk management – What are the risks…?

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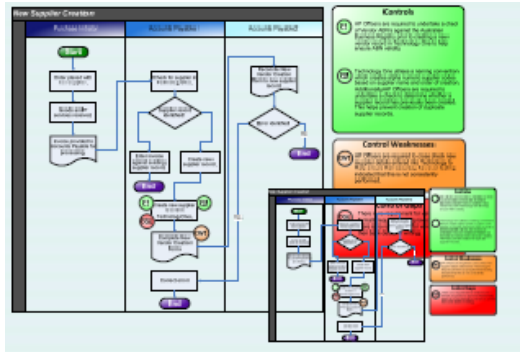
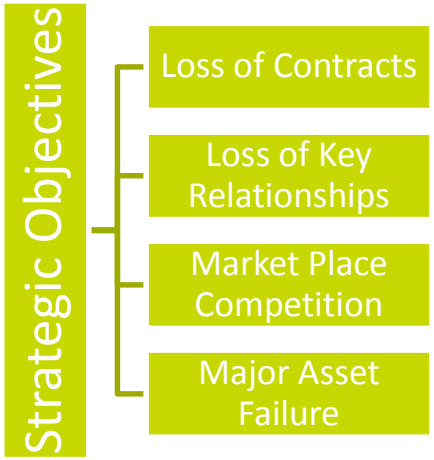
Start heavy with detail – e.g. Aspects of business operations



Bring it up and look top down – Strategic risks



Risk management… a structured approach

What are some of the risks in your business?

The loss of key executives or management	Why is it a risk? • Work environment • Competition poaching • Death and disability	Impact on the business • Loss of business knowledge • Cost to replace • Stability and uncertainty • Loss of relationships
So what and how?	Why is it a risk?	So what if it happens?
Risk Event	***The Cause***	***Likelihood and impact***

How do you manage it? • Key man insurance • Reward and recognition • Succession plans • Knowledge management	Monthly reporting? • Ongoing risk update • Annual insurance review • Annual reward and recognition program review • Knowledge mgt. database	Who will manage this? • Board / Business owner
How do we reduce the risk?	How are we going to monitor?	Who is responsible?
Controls and treatment	***Effective Monitoring***	***Assign accountability***

Risk management… a structured approach

What are some of the risks in your business?

Fleet/Asset Technology	**Why is it a risk?** Failure to keep up with new bus industry technology • Contractual restriction • Cost prohibitive • Awareness	**Impact on the business** • Operational inefficiency • Business continuity • Cost of replacement • Lack of competitiveness
So what and how?	Why is it a risk?	So what if it happens?
Risk Event	***The Cause***	***Likelihood and impact***
How do you manage it? • Active supply chain engagement • Relationship with market • Strategic fleet turnover	**Monthly reporting?** • Ongoing risk update • Fleet replacement program • R&M per vehicle type	**Who will manage this?** • Executive • Fleet manager
How do we reduce the risk?	How are we going to monitor?	Who is responsible?
Controls and treatment	***Effective Monitoring***	***Assign accountability***

Risk management – Where do you focus?

In order to focus your attention you should know the likelihood and consequence….

Consequence to your business

Likelihood of risk occurring

Risk Statement - How Do We React?

Extreme Risk
Represents a very serious threat to the business and must to be addressed with high priority and necessary resources to ensure the risk is adequately addressed. Everything possible needs to be done to ensure this risk is either mitigated or controlled to acceptable risk levels. Requires ongoing scrutiny by the Board and Senior Executives.

Very High Risk
Represents a considerable threat to the business and needs to be addressed with priority and available resources to ensure the risk is adequately addressed. Regular review of effectiveness of mitigation and reporting to Senior Executives and Audit Committee/Board.

High Risk
Represents a high threat to the business and needs to be addressed with priority and available resources to ensure the risk is adequately addressed. Regular review of effectiveness of mitigation and reporting to Senior Executives.

Medium Risk
Represents an exposure to the business and should be addressed with availability of resources and cost benefit. Forms part of day to day operational management.

Low Risk
Represents a minor exposure to the business and may be addressed with availability of resources and cost benefit. Attention of management to ensure adequate ongoing mitigation and control. Review for potential of excessive controls.

Risk management…

A structured process helps to identify, assess, plan, monitor and react.

What's changed?

Business, industry, market, economic, political, technological…

What and how.

Development of monitoring and regular review and reporting

Focused on sifting through sources and causes of risk

On the same page?

Why?

Planning and identifying strategies to manage and mitigate risk

Consequences, influences and required conditions of risks

So What if?

Evaluation of the Consequence and Likelihood

So What?

"Between calculated risk and reckless decision-making lies the dividing line of profit and loss" – Charles Duhigg

Thank You!