

25 March 2022

Fellow Risk Watchers,

My name is Mike Dunn. I'm the Managing Director of risk management consultancy Intelligent Outcomes Group (IOG). You can find my details on LinkedIn or by visiting our web site www.iog.com.au.

Many senior managers I speak to exhibit body language signs of stress whenever I discuss risk in-depth with them. Mostly, they don't like it, think it's a business impost, and want to discuss anything but risk. If they allow me to persist, they quickly discover the beauty of understanding risks: both good and bad. Like me they embrace the understanding of risk, not just the parroting of the elements of ISO 31,000. So, for this risk update I would like to discuss the benefits of understanding positive risks.

We in IOG think of positive risk as Likelihood x Benefit = Opportunity. In the likelihood calculation for a positive risk scenario, we want to increase the likelihood score. In calculating the benefit (as opposed to consequence) we want to increase the benefit. When we bring these two elements together in Scuta we look for an increased opportunity score (as opposed to a risk score). This process is best demonstrated with a scenario that has been worked through in Scuta and attached at page 2. The scenario is pitched at a small organisation who is asked to be involved with a prime contractor in bidding for a capability project in Defence. In the past, they will go along because any request to bid with a bigger player is potentially rewarding, and even if we fail with this bid, we might be asked again to bid. How much it might cost in time, effort and funds was often unclear, and the chances of winning were often talked up but from an uncertain basis. Once Scuta was introduced these small companies were able to better elicit their potential gain, the costs associated with the bid, and the bid's likelihood of succeeding.

I hope this short risk update increases your awareness of positive risks (within your wider risk environment) and the part they could in assisting your business to understand all risks in advance of taking some of the most important business decisions.

I hope this is food for thought.

Scuta positive risk calculation

LOG OUT

Users
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Will the organisation respond to this project?

return

L

×

B

=

Q

95

×

60

=

75

Dynamic Equation Table

Calculate

Snapshot

Applies To	Question	Category	Weight	Present
Benefit	Winning the project will earn the organisation more than \$5,000,000.		80	<input type="checkbox"/>
Benefit	Winning the project will earn the organisation between \$1,500,000 and \$5,000,000.		60	<input type="checkbox"/>
Benefit	Winning the project will earn the organisation between \$500,000 and \$1,500,000.		40	<input checked="" type="checkbox"/>
Likelihood	The organisation is confident that it can procure relevant sub-contractor if required.		35	<input checked="" type="checkbox"/>
Likelihood	The organisation has a plan to influence the decision-maker.		10	<input checked="" type="checkbox"/>
Likelihood	The organisation has a plan to influence the project requirements in Premiers, Treasury and Finance.		15	<input type="checkbox"/>
Likelihood	The project will be decided on the basis of the best solution from the RFT process.		15	<input checked="" type="checkbox"/>
Likelihood	The decision-maker is likely to prefer our organisation to win the project.		55	<input type="checkbox"/>
Likelihood	The organisation has a current capability or service to respond to this project.		50	<input checked="" type="checkbox"/>
Likelihood	The organisation is confident that it can undertake the prime contractor role.		25	<input checked="" type="checkbox"/>
Likelihood	The organisation has a strategy to effectively position itself to win the project.		15	<input checked="" type="checkbox"/>
Likelihood	The project is within the organisation's area of expertise.		45	<input checked="" type="checkbox"/>
Benefit	Responding to this project will create a long term capability for the company.		20	<input checked="" type="checkbox"/>
Benefit	Responding to this project will improve the organisation's relationship with Premiers, Treasury and Finance.		10	<input checked="" type="checkbox"/>
Benefit	Responding to this project will cost the organisation up to \$50,000.		10	<input checked="" type="checkbox"/>
Benefit	Responding to this project will cost the organisation between \$500,000 and \$1,000,000.		50	<input type="checkbox"/>
Likelihood	The political environment regarding government spending deteriorates.		15	<input type="checkbox"/>
Benefit	Responding to this project will cost the organisation between \$50,000.00 and \$100,000.00.		20	<input type="checkbox"/>
Likelihood	The decision-maker is likely to prefer a competitor organisation to win this project.		35	<input type="checkbox"/>
Likelihood	The time frame taken by acquisitions to select a preferred tender is extended.		15	<input checked="" type="checkbox"/>
Likelihood	Do any competitor organisations equipment in service with government match the development plan specification.		15	<input checked="" type="checkbox"/>
Likelihood	Have competitor organisations shown interest in bidding for this project.		45	<input checked="" type="checkbox"/>
Likelihood	The organisation will have to develop a capability or service to respond to this project.		40	<input type="checkbox"/>
Benefit	Responding to this project will cost the organisation between \$200,000 and \$500,000.		40	<input type="checkbox"/>
Benefit	Responding to this project will cost the organisation between \$100,000 and \$200,000.		30	<input type="checkbox"/>
Likelihood	There are competitor organisations with similar equipment in service with government.		10	<input checked="" type="checkbox"/>
Likelihood	There are competitor organisations with similar equipment in service in the sector.		15	<input checked="" type="checkbox"/>

Opportunity Parameters

Name	Range	Description	Colour
Slightly Favourable	86-100	Proceed	100
Favourable	51-85	Proceed but review at the next stage	85
Potentially Favourable	23-50	Seek more inputs before deciding	50
Unfavourable	0-22	Do not proceed	22

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