

Monday, 4 August 2008

Michael Wallmannsberger
The Internet Society of New Zealand Inc
PO Box 11-881
WELLINGTON

By email

Dear Michael

RE: RISK MANAGEMENT FRAMEWORK – READINESS REVIEW

We appreciate the opportunity to present a proposal to assess the readiness of your organisation to take on a risk management framework. In this letter of proposal we set out:

- Why a readiness review would be of benefit to InternetNZ.
- Our approach to a readiness review.
- Proposed timeframes and budgets for the engagement, should you wish to proceed.

The Benefits of a Readiness Review

One of the goals set out in InternetNZ's 2007-2009 Strategic Plan is to be a high performing organisation. Ultimately the design, implementation and operation of the risk management framework must support that goal. A properly executed risk management framework can do this by helping management achieve continual improvements in management decision making.

The relevant NZ standard on risk management (AS/NZS 4360) provides an excellent generic guide to the elements of the risk management framework and the possible implementation of that framework. That said our experience is that while organisations frequently want to adopt a systematic risk management framework, whether using 4360 or another recognised approach, they often underestimate the preconditions for the successful deployment and operation of that framework.

A series of what can best be described as “building blocks” must be present in order for the risk management initiative to succeed. These building blocks are:

- Clear strategy and objectives for the risk management initiative.
- The necessary skills, resources, processes and competencies to support the risk management initiative.



- A compatible organisational structure and culture.
- Access to required risk information and enabling technology (if required).

These building blocks, when all in place, become the solid foundation for implementing a successful risk management initiative.

We note the most recent 2004 revision to AS/NZS 4360 emphasizes the benefits from embedding risk management practices in the organisation's culture and processes. This emphasis is consistent with our view that not only must each of these building blocks be present for the risk management initiative to add value, but each of the building blocks must also complement each other. For example, it may be impossible to give effect to the risk management strategy and objectives, irrespective of how clearly these have been defined, unless the necessary skills, resources, processes and competencies are in place.

Our suggestion is that InternetNZ would benefit significantly from a readiness review before it finally commits to develop and implement a risk management framework, as suggested in the draft "Terms of Reference For the Implementation of a Risk Management Framework" we reviewed (the draft terms of reference).

The readiness review would:

- examine the extent to which the above building blocks are already in place and, if they are not, the extent to which InternetNZ has a plan to get these building blocks in place.
- help inform InternetNZ's decision about how best to proceed with developing and implementing a risk management framework across the organisation.
- help size the required effort to implement the risk management framework outlined in the draft terms of reference.

Proposed Approach

The following section of this proposal contains an illustration of how we would organize the issues to be assessed within a readiness review. We have framed these issues as a list of questions, structured around the four building blocks mentioned earlier.

If you wanted us to move forward with this engagement one of the first activities will be to further develop these initial illustrative issues into a final list of questions for investigation and analysis. We would then set up interview times to interview selected members of InternetNZ staff as well as Council members.

One important issue we would need to factor into our approach would be the potential impact of InternetNZ's Structural Review which we understand is currently being implemented.

The questions we consider relevant, structured around the four building blocks, follow.



Clear strategy and objectives

- What role will risk management play in InternetNZ going forward?
- Is there a clear plan on how the framework could be used by the business going forward and is there a clear consensus on this across the executive team?
- Is there currently a formal process for identifying future market, economic, demographic and regulatory changes and the impact these will have on the business?
- How will the framework fit with / be used within the existing / foreseeable governance model used by InternetNZ?

Necessary supporting skills, resources, processes and competencies

- How does the initiative leverage / consider existing experience in risk management across InternetNZ and its subsidiaries?
- How will InternetNZ build good risk practices into core business and decision making processes?
- Who will own the framework going forward and do they and their team have the requisite experience and skill sets?
- What support will be available to those responsible for managing risks within the proposed framework?
- Is there a viable / acceptable budget for the implementation effort and does that budget accommodate contingencies?
- What budget adjustments will be required to maintain / use the framework going forward and are those adjustments viable in the face of current business plans?

Compatible organisational structure and culture

- How will staff and members of the governing body of InternetNZ be informed about the risk management routine and how will they be educated on how to use / comply with the framework?
- To what extent will InternetNZ's approach to accountability and performance management be integrated with the proposed risk management framework?

Access to required risk information and enabling technology

- Acknowledging that no formal framework is currently in place, what are the existing risk management processes and what risk information is currently available?
- How is that information currently used for planning, decision making, accountability and quality assurance purposes?



Work Product

The resulting work product will be a brief but very pointed report which provides our assessment of:

- InternetNZ's readiness to adopt a risk management framework that is consistent with that already adopted by NZRS.
- The likely size of the effort to implement the risk management framework (as outlined in the draft terms of reference we reviewed).

The report will provide a context for transition to a risk management framework that is both right sized for the organisation and its ability to embrace change.

Budget and Timing Estimates

Pending feedback from you on this proposal we would be available to start work in early September. Assuming we commenced work on Monday 8 September we would look to have the draft readiness review completed by Friday 19 September, subject to the availability of staff and Council members to interview.

We would estimate a budget of between \$6,000 to \$8,000 plus GST and disbursements to complete the readiness review report.

Conclusion

We would very much like to work with you and your colleagues to help you progress your risk management work. We hope our blend of experience and approach lines up well with our understanding of your needs.

If there is something we have omitted from this letter of proposal please do not hesitate to let us know so we can see how that would modify the ideas we have presented.

As this would be the first time we have worked with you Michael, you might want to talk directly with one of our current clients to get a feel for our consulting style and approach.

If you would like to take that step I would suggest you contact Gerard Rahman, Executive Director, Strategy Improvement and Performance, Royal New Zealand Foundation of the Blind. You can contact Gerard at grahman@mzfb.org.nz or by phone on (09) 355 6869.

By way of additional background to our work for the Royal New Zealand Foundation of the Blind:

- In May 2008 we completed an engagement for Gerard looking at the readiness of the Foundation to move ahead with its planned Cassette to Digital Project (which would see digital talking books delivered via the internet replacing the current talking books on 4 track cassette).



- Since late June 2008 we have been working with the Foundation as a member of a panel of experts looking at the long term future strategic direction of the organisation.

I'll look forward to hearing from you in due course, Michael. Please do not hesitate to contact me if you have any questions on this proposal.

Kind regards,

Dean Rea
Principal, Arrowhead Consulting Ltd