

GUIDELINES FOR MANAGING RISK IN OUTSOURCING

Utilizing the AS/NZS 4360:2004 process



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Guidelines for managing risk in outsourcing utilizing the AS/NZS 4360:2004 process

Edited by Dennis Goodwin, Department of Defence,
Dr Dale Cooper, Broadleaf Capital International Pty Ltd
Professor Jean Cross, University of New South Wales, and
Kevin W. Knight and Tom Walker, representatives of
The Association of Risk and Insurance Managers
of Australasia (ARIMA).

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Australian Customs Service
Australia New Zealand Institute of Insurance and Finance
CSIRO (Commonwealth Scientific and Industrial Research Organisation)
Department of Defence (Australia)
Department of Finance and Administration
Emergency Management Australia
Environmental Risk Management Authority (New Zealand)
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Preface

The rapid development in the area of Information Technology has provided new opportunities and new risks, brought about changes to industrial processes, and made the marketplace more complex and quick to react to changes. Globalization, deregulation and fierce competition have made organizations even more vulnerable, with the ultimate risk being their elimination from the market.

Product lifecycles and lead-times are even shorter. Concentration may even lead to a single supplier where before, through regulation, there may have been two. Goods today can be delivered from any place around the world to an organization's doorstep just as quickly as from the local region. Consequently, longstanding relationships become tenuous while customer loyalty quickly diminishes.

In both the public and private sector, the outsourcing of services and non-core business is becoming the norm rather than the exception to the rule. Similarly the private sector ownership and operation of public facilities and services is increasing. With many activities now involving a multitude of participants, each with their own (in many cases conflicting) needs, goals, and internal and external demands, it is not surprising that significant risks abound. The complex nature of many projects adds to these risks.

The application of a robust and disciplined risk management process utilizing AS/NZS 4360:2004 (THE STANDARD), fully integrated into the early outsourcing considerations, should greatly assist the management of any organization in finding that delicate balance.

In terms of accountability, a risk management approach demonstrates that management has:

- considered all of the identified risks in terms of their consequences and likelihood; and
- implemented a risk treatment plan in order to avoid, reduce, transfer or retain adverse risks (or put in place a number of initiatives to take advantage of risk opportunities).

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