NATIONAL DISABILITY SERVICES

MARKETING GOVERNANCE

MODULE 6

RISK

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# Slide 1 – Introduction

Hello. Thank you for viewing this webinar series on marketing governance. You are viewing the second module of the series, exploring risk and marketing. This webinar series comprises of five modules which explore the marketing governance framework to support disability providers in the transition to the NDIS.

My name is Alex Makin. I'm the principal founder of Syneka Marketing, and will be guiding you through this webinar series. This content has been prepared by National Disability Services to support organisations in building their marketing capabilities and capacities. This module, like the preceding strategy module, assumes that you have a knowledge of core marketing concepts. If you'd like to refresh your knowledge of marketing, there is a series of two introductory webinars that explore those core marketing concepts. As always, please do work through your included workbooks as you work through this webinar content.

This session will be exploring risk and the need to consider risk as we undertake marketing activities. Unfortunately, risk and marketing tends to be an area that is substantially underdeveloped, despite the reputational, financial, stakeholder risks, and many other risks that can be associated if marketing activities are not planned and executed appropriately. As a result, and given that marketing needs to align with good governance principles, we have developed this risk module to ensure that you can consider elements relating to risk as you undertake marketing activities within your organisation.

# Slide 2 – Learning Objectives

There are four core learning objectives that we'll be covering throughout this content. The first is an understanding of the need for marketing to consider risk. This is required because marketing, as that interface between your internal capabilities and capacity and the external marketplace, is an area that can be prone to a number of risk factors. As a result, there's a need to fully assess potential risks as you plan, develop and execute marketing activities.

We'll be exploring how to assess risk across the marketing mix, or across your stakeholder experience. As we discovered, the stakeholder experience is about providing consistent and cohesive presence to the marketplace, optimising each facet of the marketing mix so that it meets the needs and demonstrates value to your stakeholders. It's imperative that we assess potential risk elements and look at how best to manage risk and other factors that may diminish the impact that we wish to create.

We'll be determining suitable risk profiles, namely how much risk is acceptable to your organisation. This will differ depending as to the level of risk adversity, the products and services that you offer, the target markets that you serve, and other elements such as funding partners and expectations around stakeholders. But it's imperative that you gain an understanding around the suitable level of risk.

And we'll lastly be looking at ways that we can work through risk. How can you best mitigate, control and manage risk so that it remains at an acceptable level, and that you deal with risk in an effective and efficient manner without being detrimental to your marketing activities.

# Slide 3 – Risk and Marketing

Risk is an area that is often overlooked when we consider the role of marketing, despite the fact that marketing, as we mentioned, being that nexus between internal capabilities and capacity and the external marketplace, is an area that can in fact have potentially high levels of risk. When you do consider risk, however, you do need to actually view this from an understanding of both potential negative outcomes, but also the positive outcomes as well. The word "risk" often brings to mind negativity, but the reality is in the role of marketing as you embark on campaigns, there's always going to be a degree of risk. The role in assessing risk and marketing is to ensure that the positive outcomes outweigh the negative.

You also need to be aware of potential uncertainties. Another word for "risk" can in fact be "uncertainty." Risk implies that there's the uncertainty around outcomes, and it's your role to ensure that you can mitigate and control some of those uncertainties. As a result, there's a need to actively maintain a marketing risk register. This can be incorporated into your risk register, but it does need to be actively maintained so that marketing has a presence on that risk register, and so you're able to make informed decisions in regard to the mitigation, control and assessment of risk.

# Slide 4 – Risk Within the NDIS

The NDIS, by the very nature of the initiative, will introduce a degree of uncertainty, and this in itself introduces a degree of risk. The NDIS is a new model within Australia and it will result in an increase in competitive pressures. It will result in increased choices for participants. And it will, by consequence, create a degree of funding uncertainty. This is why marketing and managing the role of risk within marketing is essential as you transition into an NDIS model. You need to as an organisation become market-facing, and may need to explore new services, new products, that enable you to provide a range of solutions to your stakeholders, but it's imperative that you do consider the potential risk elements that need to be factored into your marketing activities.

# Slide 5 – Consequences of Risk

As we've explored, the NDIS will require you to have a proactive response: a proactive response to market conditions, to the needs of your participants, to stakeholders, and to demonstrate the value and outcomes that you provide. Part of what you need to consider is:

* How do you engage those stakeholders?
* What are the risks around potential engagement?
* What are the risks involved in a market-facing approach, and facing the marketplace?
* What level of risk is appropriate based on who it is that you're targeting and the services and products that you provide?

The other side of risk is around exploring opportunity costs.

* What is the cost of pursuing one action as against another?

Because this is how you can start to identify how you can optimise marketing activities and the potential pathways or channels to market.

* How do you leverage stakeholders, intermediary networks, to reach the decision-makers, the influencers, the participants, who'll be part of your product and services mix?

# Slide 6 – Types of Risk

As we explore the specifics of risk and marketing, it's worth being mindful that there are a number of factors that we need to consider. The first of these is potential strategic risk. These are decisions that will have an impact on your organisational goals, so decisions that will impact on achieving the objectives and strategies identified in your strategic marketing plan, or which will have an impact on the vision that you've articulated in your business or organisational plans.

There's compliance risk: exploring the need to comply with relevant laws, regulations, standards and codes of practice. Some of these may be codified through legislation and regulations, or it may be through industry practice or quality assurance standards. The important thing here is to be mindful of what compliance elements you need to consider. This is everything from privacy standards for the Privacy Act, into accepted codes of conduct through industry bodies, and of course into law and regulations that govern the role of disability service providers and the services that are delivered to your stakeholders.

Financial risk, where you need to be mindful of the impact on your financial results, and also the rigour and systems that are in place.

Operational risks, where you need to consider the policies and procedures that are required to mitigate and manage potential internal risks. So everything that explores instruments of delegation, who is responsible for what in your organisation, and the procedures and policies that govern acceptable behaviour and conduct within your organisation.

Reputational risk, where you need to be mindful of your reputation, of both your organisation but also the personnel within it. You need to ensure that marketing campaigns don't cause reputational damage.

Environmental risk, where you need to be mindful of external events, such as weather if you're planning outdoor events, or other circumstances that may impact the ability to control external events.

Stakeholder risk, where you need to be considerate of your stakeholders, their beliefs, their values, and how you need to be mindful of those as you align your organisation to prospective partners, to the needs and values of stakeholders.

And lastly, risks relating to service delivery.

* How do you ensure that you match expectations with results?

As we've discussed, one of the core elements of marketing is consistency. Part of this is around being consistent around the expectations that you create in regard to service delivery and being able to deliver those outcomes and demonstrate that value to your participants and the stakeholders around them.

# Slide 7 – Strategic Risk

As you explore strategic risk, you need to firstly be mindful of whether there's alignment between your marketing activities and your strategic vision as articulated in your business and strategic plans. The first way to test this is:

* Do the timeframes align?
* What is the overall level of cohesiveness between those plans?
* What happens if something goes wrong?

What this means is that the objectives in your strategic marketing plan and those corresponding strategies should in turn demonstrate how you can achieve the vision and direction in your strategic and business plan.

You also need to explore the consequences if actions are not undertaken.

* Will this result in an increase or decrease in strategic risk?
* How essential are each of those strategies?
* What is the impact on your strategic risk and alignment if one of those strategies isn't undertaken due to competing priorities or due to a reallocation of resources?

Fundamentally this risk factor is about understanding your strategic direction, and once again ensuring that marketing demonstrates its ability to show you how you achieve the vision that you have identified in your business and organisational plans.

# Slide 8 – Examples of Strategic Risk

So some examples, as we explore strategic risk include whether there's alignment with your strategic vision, and whether those plans actually exist.

* Is there a current strategic plan?
* Is there a current strategic marketing plan?
* Do those strategies, do those objectives, work cohesively to reinforce your market positioning and your ability to deliver on the vision that you have identified?

# Slide 9 – Strategic Risk

Now you can turn to the workbook and consider what areas of strategic risk currently exist within your organisation. At this stage we're documenting potential areas of risk. It's about identifying as to the relevancy and currency of your strategic business plans, your strategic marketing plans, and other documents that guide the strategic direction of your organisation.

* How recent are these plans?
* How achievable are they?
* Are they consistent and cohesive with one another?

These are the factors that we want to consider within the realm of strategic risk.

# Slide 10 – Compliance Risk

The next area we can explore is compliance risk, and this is where we need to consider not only legalities and regulatory compliance, but also workplace safety and other standards. You need to be mindful of privacy laws, of any restrictions and prohibitions in terms of your service delivery and the target markets that you can service. And in the case of marketing communications, the role of anti-spam regulations, the role of privacy in terms of third-party donor lists, and other aspects that govern the use and reuse and distribution of information.

When we explore the role of marketing we need to be mindful of where outsourcing responsibilities that there's compliance with those subcontractors and with those outsourced agencies as well.

* Do your contractors adhere to workplace safety?
* Do they in turn adhere to relevant legislative and regulatory requirements?

And of course, there's ethics and conduct.

* What perceptions exist within your target markets and stakeholders around acceptable behaviour and use of your products or services?

Once again, there's potential consequences if that compliance risk is not undertaken.

# Slide 11 – Examples of Compliance Risk

Areas to be mindful of when considering compliance risk include legislative and regulatory requirements.

* Are you aware of your obligations under law?
* Do you adhere to those practices?

This is about ensuring that you're proactive in adhering to those requirements, rather than necessarily being caught out and then investigated and reported if you do not comply. So make sure that you maintain a register of relevant legislation, and that you comply with it.

In regard to marketing risk, relevant legislation includes the Privacy Act. It includes obligations under Trade Practices. It ensures that you're mindful of your obligations as a service provider, and mindful of requirements around the use and distribution and reuse of personally identifiable information and stakeholder data.

* What adherence to privacy do you provide?
* Is data stored securely?
* What systems do you have in place to manage the flow of data and information?
* If you utilise subcontractors, external agencies, what protections are in place around the use of data?

This is particularly important when you explore the use of donor lists and donations and fundraising, where you need to be mindful of the potential risks to privacy that could occur.

Lastly:

* What industry requirements exist: Codes of ethics, codes of conduct, obligations in terms of being members of professional and industry associations?

It's about being mindful of those obligations and demonstrating your adherence to those best practices.

* If you don't adhere, what are the consequences in terms of reputational and compliance damage?
* How would you then be able to recover the reputation and ability of your organisation to deliver the services that it provides?

# Slide 12 – Compliance Risk

Now you can turn to the workbook and explore the areas of compliance risk that may exist in your organisation. This is about documenting the legislative and regulatory requirements that you need to adhere to, the other requirements in terms of ethics and conduct that you also need to be mindful of.

* What practices do you have in place in terms of storing data, in saving data and securing data?
* What practices do you have in place to manage removals from distribution lists, the distribution of data, and other elements that play into the role of marketing governance?

# Slide 13 – Financial Risk

Financial risk explores the risks associated with expenditure and revenue uncertainty. This is obviously an area that will be relevant due to the introduction of the NDIS, and the uncertainty that a demand-responsive market-facing system can provide. Whereas previously there would be a degree of certainty in regard to the level of grants, often from government but also from other sources that would be provided, under the NDIS you're only going to receive revenue when services are delivered to a participant. As a result, there is going to be a higher degree of financial risk. So when you consider financial risk, you need to consider:

* How accurate is your budgeting?
* How accurate is your forecasting?
* What is the degree of variations, and why do they exist?

You need to be able to identify uncertainty around revenue, but also where expenditure may not meet expectations, particularly if there's cost overruns in regard to campaigns. This can actually be quite a common occurrence in online advertising, where budgets are set for Facebook, Google AdWords, may in fact exceed the initial expenditure on the claim that that's going to deliver further results.

It's imperative that you assess financial risk and make sure that marketing initiatives meet the expected targets based on the resources that are available. So you need to be able to identify what level of uncertainty exists, and the correlation between costs and revenue potential. So as you work through your marketing initiatives:

* What is their correlation to potential revenue sources?
* What contribution will each marketing activity provide to the expected revenue that you wish to obtain?
* And lastly, how can you control costs?

This is another area that needs to be examined as part of financial risk. Exploring the scope for managing costs, and ensuring that budgets are met and that they meet expectations.

# Slide 14 – Examples of Financial Risk

Potential examples of financial risk include whether you allocate marketing budget by tool or across the relevant touchpoints. It's not uncommon to see marketing budgets allocated to the tool that's used. So there may be an AdWords budget. There may be a Facebook budget, a website budget, a brochure budget. But all that does is actually define marketing based on the tools that are used, not its impact across relevant touchpointss.

A far more appropriate way of managing marketing budgets is by allocating it based on the touchpoints.

* What budgetary allocations do you need in the pre-purchase phase to raise initial awareness of your products or services?

The channels, the tools that you use, are determined based on where your stakeholders receive, view and assess information, and the channels that they use and the tools that they use to identify potential service providers.

You also need to be able to examine as to whether metrics are identified across each of these touchpoints. There's very little benefit in allocating an advertising budget, whether online or offline, if there aren't metrics that define its performance, and where those metrics don't aggregate into the potential outcomes that you're seeking.

And lastly:

* Does your marketing budget encompass all marketing activities?

As we explored, marketing is about providing a consistent experience as defined through the marketing mix. It's therefore imperative that the budget encompasses areas of marketing across that entire marketing mix. Even if that budget may not be directly impacted by the marketing function or marketing personnel themselves, it's imperative that the budget identifies each of those elements across the marketing mix.

# Slide 15 – Financial Risk

Now you can turn to your workbooks and consider the areas of financial risk that exist within your organisation. As you work through this question, consider how budgets are allocated in your organisation.

* What level of marketing budgets do you have?
* Do you continually over or underperform in terms of budgetary allocation?
* Is there a defined link between that expenditure and your potential revenue as an organisation?
* Do you allocate budgets across the touchpoints and across the metrics that are required, or do you simply define it based on the promotional or marketing tool that you use?

# Slide 16 – Operational Risks

Operational risks explore the requirements to undertake your marketing activities. Here you need to consider:

* What resources do you require to successfully implement and execute the marketing activities that you have identified?
* Can they be accommodated across your existing resources?
* Are there sufficient skill-sets you have internally to ensure that outcomes are realised?
* If not, how will you introduce additional resources?
* Is there the need for additional budgetary allocations?
* Do you need specialists to provide support in specific areas?
* Can you provide training or professional development to introduce those skill-sets?
* Do you need to revise and review position descriptions?

These are all considerations that need to be taken into account when you consider operational risk.

The other side of this is also considering potential timeframes.

* Are the timeframes that you've established for your marketing plan and the execution of marketing activities realistic?
* What will occur if other priorities happen?
* What will be the impact on those activities?
* What will be the impact then on potential revenue growth or participant acquisition and retention?
* What processes can you put in place to help minimise any potential disruption if timeframes aren't met?
* What elements are critical in your marketing plan, and what other elements could potentially be deferred if other priorities do take precedence?
* And lastly, what procedures do you have in place to ensure that marketing is implemented successfully?

This explores procedures and policies around media and communications, around the use of marketing resources, making sure that those policies are in place, that procedures are followed, that your personnel are well aware of those procedures, and that those procedures are regularly reviewed and consistent across the direction of your organisation.

# Slide 17 – Examples of Operational Risk

Examples of marketing risk in an operational context include roles and responsibilities.

* Is there appropriate separation of marketing responsibilities?
* Do you adequately separate the execution of marketing activities from the managerial oversight and the setting of strategic direction through your Executive?

That separation is critical because it ensures that you're able to harness and leverage the direction of your strategic marketing plan. Blurring those responsibilities means that it becomes very difficult to evaluate and review and measure marketing performance. In the same way that in a financial context we separate auditing from bookkeeping, we also need to separate the execution and strategic direction of marketing activities.

* Are the systems that you have in place integrated and responsive?
* Are you able to keep track of marketing performance?
* Are you able to evaluate when discrepancies occur, and are you able to respond in a timely manner?
* And as mentioned, are the policies and procedures that you have in place maintained, understood and followed sufficiently?

# Slide 18 – Operational Risk

* What areas of operational risk exist in your organisation?
* Do you have adequate policies and procedures?
* Are they maintained?
* Are they understood by relevant personnel?
* Do you have a defined marketing function?
* Is there a clear separation between execution, management and execution of marketing activities?
* Is that separation adhered to so that your Board is fully aware of their responsibilities and the role that they should be undertaking in setting strategic direction and not being operationally involved in marketing activities?
* What arrangements do you have in regard to the execution of activities?
* Do you have external providers that provide support?
* If so, what metrics are they assessed on?
* Are they fully aware of their responsibilities and the performance indicators that they need to meet?
* If you have internal resources, what skills, what experience, do they have, and is there the need for additional development, training and support?

These are some of the aspects that you want to consider when you assess operational risk. Operational risk primarily explores that internal context, and how you can mitigate and manage any internal constraints around capabilities and capacity.

# Slide 19 – Environmental Risk

Environmental risk tends to be one that's quite well known in the not-for-profit sector, and this is because there's often events that are dependent on weather conditions. Environmental risk explores the contingency plans that are required due to climate conditions.

* What plans do you have in place if you have an outdoor event and the weather turns to be unfavourable?

But as we also look at environmental risk, we also need to broaden this out to explore the broader environment, and that includes macro environmental conditions.

* What will happen if levels of growth are not met?
* What will occur if the anticipated industry output declines?
* What will be the impact of government policy and regulatory changes?

We're seeing some of this already through the introduction of the NDIS.

Environmental risk not only looks at the physical environment, but also the broader macro environmental factors. So just as you will have contingency plans for weather when events don't go to plan, you also need to have contingency plans if economic conditions don't meet what is being forecast, or if there's a change in political policy direction.

# Slide 20 – Examples of Environmental Risk

Examples of environmental risk explore weather dependence and the contingencies that you need in place, but also changes to funding and income uncertainties. The role here is to understand how marketing should respond to these uncertainties.

* What plans does marketing need to have in place to identify additional revenue streams if one funding stream becomes uncertain?
* How long will it take additional revenue streams to be developed?
* What income could be successfully derived, in a similar vein to when you consider contingencies based on weather conditions and events?

# Slide 21 – Environmental Risk

Now you can explore environmental risk within your organisation.

* What contingencies do you have in place for activities that are weather dependent?
* What plans, what actions do you have to identify streams of revenue if there's a degree of income uncertainty?
* How long will it take these plans to be realised?
* What level of priority is given to the implementation of those plans?
* What level of resources are required to develop new streams, or to plan and provide the ability to adequately compensate if there is adverse weather conditions?

Weather conditions are a factor that are typically outside our control, but when we look at the marketing mix and the need for a consistent stakeholder and participant experience, weather can in fact play a major component in shaping the experiences that your participants may have in the activities that you provide. It's therefore important that these contingencies are in place in the same way that you want contingencies in place to manage income uncertainty.

# Slide 22 – Reputational Risk

Reputational risk explores risk that is related to your reputation. Unfortunately, the not-for-profit sector is not immune to reputational risk. This is particularly the case in areas like fundraising, where certain donation and certain fundraising practices can cause reputational damage to an organisation, and in a lot of cases that damage to reputation can far outweigh the potential revenue that can be raised. So it's about being mindful of your positioning in the market, and the image that you are portraying.

You also need to be mindful of the role of ambassadors or patrons.

* How do you manage those patrons so that if a detrimental experience occurs it doesn't have an adverse impact on your organisation?

When you explore reputation, you also need to be able to manage service expectations.

* How do you demonstrate and convey the quality of service and expectations around that that you're able to provide?

Marketing, once again, is fundamentally about providing consistency. It's imperative that you demonstrate consistency between expectations that you create and the services that you're able to deliver. That means that you need to be able to demonstrate the quality of outcomes and those outcomes being delivered in a timely manner.

It's about also being mindful of channels to markets and intermediaries.

* How are they shaping the messages?
* How are they shaping the portrayal of your organisation?

If you do work through other partners, if you collaborate with other organisations, it's imperative that those expectations are set by your organisation, and you're able to demonstrate the expectations that you wish to convey to participants.

You also need to consider your marketing campaigns and the messages that you're creating.

* How will a target market react?
* Will a target market meet those expectations and react in a way that supports your reputation?
* What will happen if an adverse experience occurs and there is the potential for reputational damage, damage that can not only have an impact in the short term, but also in the longer term?

Marketing and reputational risk is an area that needs to be seriously considered by most organisations, and one that needs to be managed and controlled appropriately.

# Slide 23 – Examples of Reputational Risk

Examples and how you can mitigate potential reputational risks is firstly by exploring whether you have policies in place to manage endorsements. Whether you have policies in place to manage patrons, to manage ambassadors and other higher-profile people that may be endorsing your organisation. Sponsorship policies are required so that you can determine suitable rates of sponsorship and suitable categories of sponsorship and support as well.

* Are there areas that you wish to prohibit based on the reputation and values of your organisation?

But reputation also exists at an individual level as well.

* How do you manage feedback?
* How do you demonstrate that you're responding and acting on feedback that is provided?
* How do you deal with concerns before they become a serious issue to your organisation?

This is about ensuring that you act in a timely and responsive manner, and that you're able to demonstrate the reasonings behind decisions if someone may not necessarily agree with it.

You also need to ensure that your intermediaries, your collaborators, partners, stakeholders, provide a consistent experience and reinforce the reputation you wish to create, maintain and sustain, so ensure that those intermediaries are acting in a way that you are comfortable with. Not-for-profit organisations, just like the for-profit world, can't fall back and pretend that it's another supplier's responsibility if there's unethical practices. It's about ensuring that you're aware of your supply chain, your value chain, and the practices of your suppliers and any distributors and end customers that you may have as well.

# Slide 24 – Reputational Risk

Now it's time to consider areas of reputational risk and how you manage those within your organisation. So be mindful of your intermediary partners and stakeholders.

* What reputations do they have and how does that affect your organisation?

Be mindful of perceptions that exist in the community.

* How do you ensure that you're able to meet the expectations that you create?
* How are you able to demonstrate that you're creating mutual value for your organisation as much as for participants and the stakeholders around them?
* What policies and processes do you have in place to manage endorsements and to mitigate any potential damage?
* What media and communications policies are in place to designate spokespeople and the sort of commentary that you wish to portray publicly as well?

# Slide 25 – Stakeholder Risk

Stakeholder risk relates to the management of stakeholders, and this is where you firstly need to be able to adequately identify who your stakeholders are. There's obviously your internal stakeholders in terms of employees and contractors, but you may have shareholders, Board members, volunteers, who are also internal stakeholders. Your customers and participants being stakeholders. The influencers, the decision-makers around them, are also stakeholders, as are your channel partners, any organisations that you collaborate and cooperate with. Business partners. Funding partners. They are all stakeholders that need to be identified.

Stakeholder risk looks at how you can align the outcomes that those stakeholders are seeking with the expectations and values that your organisation provides. So once again it's about ensuring consistency in terms of that interaction and engagement. Stakeholder risk, if not properly managed, can actually have then a detrimental impact on your reputation and reputational risk in turn, so this is really about being proactive in managing the expectations and relationships with your stakeholders.

# Slide 26 – Examples of Stakeholder Risk

Examples of stakeholder risk include the need to ensure that stakeholders are clear on the outcomes that they are provided.

* Why are they aligned with your organisation?
* What values, what outcomes, are they seeking?

This can be particularly important for business partners who, while they may want a monetary return from sponsorship and support, also need to be mindful of the expectations and requirements of your organisation. It's imperative that from a sponsorship perspective you demonstrate value, but you don't give too much away that could cause both stakeholder and reputational risk.

* How engaged are stakeholders with your organisation?
* How often do you seek feedback?
* What do you do with that feedback?
* How proactive are you in ensuring that those outcomes are identified and realised?
* Is there consistency between your organisation and the experience it creates, and the views that stakeholders may form?

# Slide 27 – Stakeholder Risk

Now you can consider the stakeholder risk that exists within your organisation.

* Who are your stakeholders?
* What are the outcomes that they're seeking?
* How do you manage the risk of managing and interacting and engaging with those stakeholders?

Stakeholder risk is about preventing potential reputational issues. It's about being proactive in managing relationships with your stakeholders so that you can demonstrate the outcomes and values of your organisation and how it aligns with them.

* What sponsorship, what support policies do you have in place?
* Are there prohibitions in the types of sponsorship that you'll be seeking?
* Most organisations, for example, prohibit companies linked to tobacco or gambling, but do you need other prohibitions due to the services and products that you provide?
* Do you need to provide restrictions around access that sponsorship and support provides?

These are the considerations that you need to put in place as you assess potential stakeholder risk.

# Slide 28 – Service Delivery Risk

* Service delivery risk looks primarily at your ability to deliver your products or services in line with expectations that have been created, so you need to be able to explore what level of demand you can suitably cater for.
* How do you overcome any capacity constraints that may exist?
* What resources are required if there is a sudden influx of demand?
* How long will it take to provide additional resources to maintain a consistent level of quality?
* What processes, what policies do you have in place to manage stakeholders, manage relationships, manage service delivery if expectations are not met?
* How do you explain and demonstrate your level of service and the value that that provides your stakeholders, as well as also participants?
* How do you explore how you can mitigate and minimise delays?
* What are your processes in place so that you can manage the experience of service delivery?

These are all examples of areas that you need to explore through service delivery risk. It fundamentally is around aligning expectations with what can be delivered, and exploring how you can manage and control situations where you may be unable to cater to the level of demand that is required, or to provide the level of service that may be expected.

Service delivery risk obviously does have an influence and is related to stakeholder risk, and as we've seen, a number of these risks are related and there's a codependence between a number of these risk elements. Service delivery risk, however, primarily looks at how you manage the delivery of your services, and from a marketing perspective, how you manage, control and define expectations versus the quality of service and timeliness of service that you provide.

# Slide 29 – Examples of Service Delivery Risk

Examples of service delivery risk include misalignment between expectations and delivery.

* If you're providing products and they're dispatched, how do you ensure that delivery timeframes are met?
* If you're providing services, how do you demonstrate that the intended value of that service has been provided?
* What processes, what policies do you have in place if something does go wrong?
* How do you remediate your stakeholders, your participants, if those expectations are not met?
* How do you communicate to your stakeholders and define the value that you provide?

And this is particularly important in being able to define and set those expectations.

As we've discussed, one of the core fundamental principles of marketing is consistency. Here we have an opportunity in managing service delivery risk to provide a consistent approach in how we define quality and the anticipated outcomes. This fundamentally is about being truthful and open in terms of the outcomes that you'll be able to provide, and being able to communicate realistic expectations to your stakeholders. This is particularly important as we move to an NDIS model where support services are very much going to be outcome focused, so you need to be able to demonstrate through service delivery how you are contributing to those outcomes, and how to alert your participants, their carers, their families, other influencers, people around them, if there's a possibility that those outcomes will not be met. Service delivery risk is about being proactive in putting in place the processes, the policies, the control mechanisms, to manage the delivery of your services and products if something doesn't go a hundred percent to the intended outcome.

# Slide 30 – Service Delivery Risk

Now you can turn back to the workbook and explore service delivery risk within your organisation.

* What areas of service delivery risk currently exist?
* Are you dependent on intermediaries or third parties to complement your service offering, or to provide delivery timeframes?
* How do you manage those processes and ensure that they're well aware of the timeframes that are required?
* How do you communicate to your stakeholders that some of those elements may be delivered through other parties that are outside your direct control?
* How do you demonstrate the ability to provide a comprehensive product or service when you may be dependent on others to ensure that they deliver their timeframes?
* What policies, what processes do you have in place if expectations are not met?
* How do you manage any potential concern around that mismatch between expectation and service delivery?

These are some of the areas that you want to start to explore within your organisations, because it's about ensuring that marketing is providing that consistent experience around process, around your product and services, to ensure a timely, consistent experience that your stakeholders, your participants, can correlate back to the outcomes that they are seeking.

Once again, given that the NDIS is very much an outcome-driven model, it's about ensuring that you can demonstrate how your products and services, your support, is assisting that participant in achieving those outcomes as well. Service delivery risk is an area that will be at the forefront of the NDIS, and one where, if there is a mismatch between expectations and service delivery, that participants will have the opportunity to obviously explore other providers. This is why it's essential that service delivery risk is one of the areas that you explore within your organisation.

# Slide 31 – How Much Risk is Acceptable

We've explored a number of areas of risk, each of which are in fact interrelated and codependent on each other, and we've explored these areas of risk from a marketing perspective.

* How does marketing, as that function that needs to drive consistency and deliver value and articulate that value, ensure that we mitigate and minimise risk in our organisation?

But we also need to consider a broader question of how much risk is actually acceptable in your organisation? This will differ depending as to the markets that you're engaging, depending as to the appetite of the organisation and your organisation in exploring risk, and your positioning in the marketplace.

If you're the type of organisation that wishes to be dynamic and innovative, a high degree of relative risk may be considered to be acceptable. If you're an organisation that prides itself on tradition and history, then there may be a lower appetite for risk. There's no right or wrong answer when you explore how much risk is acceptable. It's around identifying what overall level of risk you deem to be acceptable in your organisation.

This is a conversation that needs to begin with the Board, given that the Board, as non-Executive directors, will in fact need to be responsible from a liability perspective for some of those risk factors. And of course in the Executive, Management and Operations in understanding how they, and how you, will be part of that discussion around considering an acceptable level of risk, and what is considered acceptable and what would be considered unacceptable.

There's obviously elements like legislative requirements, regulations, that are essentially requirements, but there's other areas around risk where you may have some clients where a lower level of relative service delivery may be considered acceptable compared to higher-needs clients who may have a more urgent level of care, or where you may see that some stakeholders need to be prioritised above others. These are all discussions that you need to have in determining your potential appetite for risk, and in essence, the effect that it will have on your positioning in the marketplace.

Part of this looks at your brand essence.

* What is the value of your brand?
* What values do you want your brand to stand for?
* How do you position your organisation?
* How do you ensure that whatever risk is deemed to be acceptable is aligned with your strategic direction?
* What do your stakeholders consider as an acceptable degree of risk, both your internal stakeholders but also your external stakeholders?
* What are the opportunity costs in mitigating, controlling and managing risk?
* Do the costs outweigh the potential benefits, another factor that needs to be considered as you explore that dynamic around risk.

And as we explore risk and that element of uncertainty, what level of return is potentially possible? Any campaign, any new initiative, will involve an element of risk, but does the level of potential for return outweigh the costs of embarking on that campaign, or the costs of new product and service development in terms of the expected revenue that you would anticipate in return? Opportunity costs need to be factored in, and that potential return needs to be considered as you assess and evaluate the best methods of managing and controlling and mitigating risk.

# Slide 32 – Assessing Risk

As we explore risk, we need to consider firstly:

* What risks actually exist within your organisation?

This is where the first stage of managing risk is your risk assessment. You need to identify from a marketing perspective what risks exist, going through each of those types of risk that we explored within this content.

* What risks exist?
* What impact would it have on marketing as a coalescence between the internal aspects of your organisation and the external marketplace?
* Why are these risks relevant?
* What is the potential impact of those risks?
* Which type of risk are they categorised within?
* Who should be considered responsible for overseeing and managing that element of risk?
* Are those personnel actually aware of their responsibilities?
* Are they aware that they need to manage and consider those risk elements as they embark on other duties within your organisation?

So the first stage is assessing risks, and this means that you need to go back through those types of risk and consider that interface between those risks and marketing. Go back to your strategic plan, your strategic marketing plan, and explore those potential uncertainties that may exist through those plans. Document those risks so that you can start to assess how best to manage those risk elements.

# Slide 33 – Prioritising Risk

The next stage, once we've identified and assessed those potential risks, is to start prioritising each of those risk factors. Once again, we're undertaking this from the perspective of marketing.

* What is the likelihood that a potential risk could occur?
* If you're creating a new product or service, as an example, what is the likelihood that that product or service may not have the uptake to become viable?
* What is the impact of risk?
* How disruptive is the risk if it doesn't go to plan, and if that risk actually occurs?
* So in our example, if your new product or service doesn't achieve viable market penetration, it doesn't have the uptake that you anticipate, how disruptive will that be on your organisation?
* What will be the impact in terms of loss of resources, loss of opportunity, perhaps in competitors moving into that market and using that as a gateway into other products or services?

They're part of the considerations that you need to explore with impacts.

If we explore reputational risk:

* What is the likelihood of a potentially controversial campaign going wrong and creating controversy that affects and damages your reputation?
* What would be the impact of that in terms of your ability to acquire and retain clients?

Once again, the not-for-profit sector and charitable organisations are not immune from reputational risk, and unfortunately there's been a number of high-profile examples of where organisations have undertaken campaigns, undertaken communication and advertising initiatives, only to find that they've actually alienated and caused reputational damage because they didn't consider the views of their stakeholders. So it's always important to remember that need to prioritise risk, and be mindful of those potential risk elements and those potential uncertainties as a result.

Once you've explored likelihood and impact, you can then start to explore how critical those risks are, or their severity. This is ultimately where you need to multiply a figure that you'll give for likelihood, a figure that you'll give for impact, and that will determine the overall level of severity.

It's very important when you prioritise risk that you maintain a uniform scale. So you can use very low to very high rankings. You can go one to five, one to ten. It's very important that you maintain that uniformity, because that allows you to adequately assess severity, and out of those severity rankings will determine which elements of risk you manage above others, and the mitigation strategies that you may put into place.

So as you go through each of those risk elements, start by exploring their likelihood, and give that a uniform scale. Then explore its impact. Give that a numerical scale. Multiply the two, and that creates the potential severity, and that severity ranking is effectively what you'll use to prioritise those risks.

# Slide 34 – Risk Matrix

We need to explore risk across the marketing mix, and this is what enables you to prioritise potential risks and to also anticipate return and costs. As you work through each of those types of risks, and the risks that you have identified, correlate that back to where they are within the marketing mix, and then consider, based on those severities, how you can start prioritising each of those risk elements.

So you need to explore, from that severity, what areas of risk must be resolved, and the potential resources that may be required.

* Are they internal resources?
* Do you have the capabilities and capacity to manage that risk internally?
* Do you need to look at potential external arrangements?
* Do you need to provide training and support to build up competency and capability to managing some of those risks?
* Who is responsible?

It's very important that you identify the core area of responsibility, ensuring that the person, people, who've been designated with managing and overseeing that risk are well aware of their responsibilities, and aware of the anticipated timeframes in managing and report back on that risk as well.

So we need to begin by exploring risk across the marketing mix, assessing those risks, starting to rank them in terms of likelihood and impact, identifying their potential severity, and then enabling you to start prioritising them and starting to explore who should be deemed to be responsible. Oversight from a risk perspective will involve the Board, and it's about the Board being fully aware of potential marketing risks, as they should be aware of other risks within your organisation.

* But who is actually going to, at an operational level, manage, control, mitigate and resolve that risk?

That needs to be clearly articulated as well so you can embed reporting requirements and keep track of any potential risks in your organisation.

# Slide 35 – Mitigation and Control

Once you have assessed and identified those risks and considered its overall level of severity based on its likelihood and impact, you can then determine how best to mitigate and control the occurrence of that risk. The suitable course of action will depend on the severity of the risk, and the resources that you have available in trying to mitigate and control it. It will depend on the circumstances of your organisation, and also, once again, your potential appetite, or your organisation's appetite, for risk.

Typically there's four potential pathways. First is looking at how we reduce either the occurrence or the impact of that risk occurring in the first instance.

* What actions do we need to take and put in place to reduce that risk from occurring, or, should it occur, to reduce its overall level of impact?

Ultimately what we're aiming to do is reduce and minimise the potential severity of that risk.

We could also look at how we eliminate or avoid that risk from occurring in the first instance.

* What initiatives do you need to undertake to eliminate the possibility of that risk from even occurring within your organisation?

You could potentially share that risk, and share the risk as well as often the potential benefits, with partners, with other parties, so that any potential downsides of that initiative, any potential uncertainties, are shared across each of those parties. Or you may choose, if the severity is quite low, and if the resources are not available, to retain that risk.

In any of those instances, you need to make sure that you proactively monitor and measure risk. You need to be proactive in measuring potential likelihoods, in measuring potential impacts, so that you can be proactive in managing those risks should and if they occur. You also need to be clear on potential responsibilities.

* Who is it that's responsible in your organisation for mitigating, for controlling that potential risk?
* What level of authority, what level of delegation, do they have in being able to undertake actions should that risk occur?

# Slide 36 - Reduce

The first potential option is reducing the occurrence of that potential risk, and this is where we seek to reduce its overall level of risk. This may mean that we reduce its potential likelihood.

* What actions do we need to undertake to prevent or reduce that risk from occurring in the first instance?

Alternatively, we could look at how we reduce its potential impact.

* What processes do we need to put in place to reduce the impact of that risk should it actually happen and we need to resolve the instance of it occurring?

Of course, we need to consider the resources that are available. A potential option in reducing risk could be in relation to new products and services.

* If you're creating new products and services and you wish to enter the market with those products or services, how do you reduce the potential likelihood of those products or services not having the market uptake that you have anticipated?

A potential option, of course, is to explore the use of pilots and test markets. This would enable you to reduce the impact and potential likelihood of potential market uptake not meeting expectations, and as a result reduce potential financial loss, reduce potential reputational damage, reduce potential service delivery risk, if that product or service doesn't meet the expectations that you had forecast.

By reducing that potential risk by undertaking a test market, you need to ensure that those suitable resources are available. So it means that you need to put in place the resources needed to test that market. While it obviously would reduce overall expenditure in that you would trial the product and establish a test case before deploying it fully, you do need to be mindful that that test in itself will require a degree of resources.

As another alternative, you could be looking at environmental risk and planning contingencies for an outdoor event.

* What is the wet weather plan for that event?

Of course, you then need the resources available, the marquees, the alternate locations, should the weather be unfavourable and it having an impact on your event.

You need to be mindful when you're evaluating how to reduce risks that this may have an impact on potential timeframes. If you're trialing that product or service and you're rolling out a test and pilot phase, obviously that will extend the timeframes in terms of your go-to-market strategy, and when that product or service will be fully available. That's part of the assessment that you need to make, and the determination, in balancing the timeframes between go-to-market versus the potential reduction of risk by maintaining a pilot phase.

And of course, you need to ensure that your contingency plans are in place and that they are regularly updated and maintained. If you do have the wet weather plan but the marquees are unavailable, then it means that you're unable to actually instigate that contingency plan. It's very important that when you look at reducing risks that you ensure that those contingencies are in place, and that complacency doesn't set in but you're being proactive in maintaining those alternate plans.

# Slide 37 – Eliminate or Avoid

The other alternative to controlling the risk is to try and eliminate it completely. This is where you want to try to, as much as practically possible, eliminate that risk from even occurring in the first place. Examples of where this would be appropriate would certainly be around legislative requirements. The Privacy Act is a great example of this. There are requirements that organisations safeguard their data, and where, if breaches occur, there can be in fact requirements to notify those that are affected. That will obviously cause significant reputational damage to your organisation, as well as potential legislative damage if there's been violations of the Privacy Act. As a result, this is an area of where you'd want to try and eliminate any potential occurrence.

* What systems do you need in place to ensure secure data?
* What systems do you need in place if you use any outsourced arrangements that they are fully aware of their obligations?
* What data do you in fact share with them versus what do you retain within your organisation?
* What resources do you need to try and eliminate that risk?
* How do you ensure that your organisation, your internal stakeholders, are aware of their obligations around risk, and their duty to try and eliminate those types of risk from occurring?
* How do you ensure that your internal stakeholders understand the requirements under the Privacy Act and don't cause any inadvertent breaches of those requirements?
* What processes do you need in place to once again eliminate that potential risk?
* How do you ensure that data is safeguarded and who has access to what information?
* How do you audit trail access to that information as well?

Elimination is typically appropriate when there is legislative regulatory requirements, and where, if there is a breach, you could in fact enter into potential legal disputes or legal trouble. But this could also occur around partnership arrangements.

* How do you eliminate potential risk in terms of breaches of contract and expectations not being met?

While there's obviously an element of stakeholder risk in there, it's also about ensuring that you try and eliminate any potential issues that may involve legal action or other sorts of punitive effects. Here we're trying to eliminate the occurrence of that risk in the first instance. So as you assemble your marketing risk registers, it's around acknowledging that these potential risks do exist, and these are the initiatives that we're going to undertake to eliminate its occurrence.

# Slide 38 – Share Risk

The first two methods we explored in mitigating risk involve your organisation mitigating and controlling those risks internally, but a third alternative is to look at how you share that risk.

* How do you share that risk between partner organisations, between collaborators, so that you're able to manage that risk in conjunction with other organisations?

This is where you need to consider the scope of potential partners.

* Will you jointly enter a new market initiative?
* If so, how do you distribute the risk in terms of expenditure in product and service development? In terms of expenditure in communications and advertising and promotions? In terms of expenditure around staff and other personnel that may be required to support the initiative?

But often if you're spreading risk and sharing that risk, you'll often be required also to share the return. One of the key considerations when you do look at sharing risk is what return do you also need to share as well? And once again there'll be an opportunity cost between whether it makes more sense to share the risk, and in which case share the return, or whether you're able to bear the costs of that risk internally but also then obviously benefit fully from its potential return.

Of course, if you're looking at sharing risk, you need to ensure that all partners maintain their obligations. It's about ensuring that all partners commit to the timeframes, commit to the resources, commit to the other requirements, financial, personnel and other expectations, if you do explore how to share risk.

Often when you're looking at collaborating, a good place to start is by building on respective strengths. If you are exploring potential partnerships, begin by exploring your strengths as an organisation, and complementary partnerships.

* What other organisations may have a complementary fit to what it is that you provide?
* And out of that complementary fit, how will that work in conjunction with your products and services?

As an example, if you're a disability service provider that provides services for children, a complementary fit may be a service provider that provides similar services for young adults, providing that progression for that participant as their needs change as they age, to then work in conjunction with a number of service providers and provide a seamless experience through that partnership.

Obviously you'll be sharing potential risks, reputational, strategic, service delivery to name a few, but you'll also be sharing those potential returns. You'll be sharing the remuneration and the service delivery aspects, the client acquisition and retention, with another organisation when the other alternative could be to develop those products and services yourself.

Building strengths and finding complementary fit is often the first place to start. As you look at potential collaborators, often it can be around looking at who those indirect competitors are, and whether there's a potential fit for collaboration, and being mindful that just as there may be a potential scope for collaboration, there may be other areas where you are competitors. It's about having the agreements in place that recognise the scope of cooperation, but also the limits of that cooperation and other areas where you may in fact be potential competitors.

# Slide 39 - Retain

We've explored three options in mitigating the risk, but another potential option is in fact to retain the risk, to be aware that the risk may occur, to be aware of its potential impact, and choose to actually retain it. Often this will come down to whether its likelihood or impact, and hence severity, is too low to warrant consideration, and that might be relatively speaking to other risks that have a higher degree of severity. It could also be due to where return could potentially outweigh the respective risk.

By undertaking a communications campaign, an advertising campaign, there's a risk that that campaign won't deliver the result that you intend.

* Does the prospective return outweigh that risk?
* Is the potential severity of that risk low based on your market presence, brand equity, awareness in the marketplace, that the return will exceed that potential risk and that potential failure and uncertainty?

Retaining risk can actually be a valid option, but typically it will be in instances where the severity is quite low, or where you've identified a range of other risks that may be of higher priority.

A marketing risk register is not a static document, so a risk that you've decided to retain today may in fact be one that you mitigate further down the track once some other priorities have been resolved. If you do choose to retain a risk at a point of time, it doesn't prohibit the ability to mitigate it and control it at a later stage.

# Slide 40 – Measuring Risk

And lastly:

* How do we measure risk?

We need to explore the marketing metrics that are required to determine your criteria for success, as well as also potential failure. Marketing governance embeds accountability and metrics so that you can measure marketing performance. We'll be exploring this in detail through the marketing governance module on accountability and metrics, but it's important to remember that you need to measure risk factors. Ultimately the way to do that is by understanding the chain of activities required in delivering a marketing outcome, because this allows you to measure potential risk as your inputs become outputs and as those outputs contribute to an organisational outcome. This allows you to measure potential variations and be able to respond to changes that may be occurring. It allows you to be proactive in exploring what actions may be required.

* Are those variations within your control?
* Is it due to external factors, such as economic conditions, or shifts in competitive pressures?

Being able to measure risk enables you to be proactive in how you manage and how you control it.

# Slide 41 – Risk in Your Organisation

Now you can explore risk in your organisation, and develop a marketing risk register within your workbooks. Start by exploring what risks exist within your organisation, the risk assessment. Then determine the potential severity.

* What is the likelihood and impact of those risks occurring?
* What types of risk are they?

Then you can consider how best to mitigate and control the risk.

* Do you explore how to reduce its potential impact?
* Do you try to eliminate it completely?
* Do you look at sharing that risk with other parties and potential partners?
* Do you retain that risk and be fully aware of the potential consequences?

Work through that workbook and start to identify and provide solutions to those risk factors in your organisation. Remember that once again we're exploring marketing-related risk, so it's risk that relates across the marketing mix, across that experience, into each of those types of risk.

# Slide 42 – Return and Risk

It's worth remembering that as you explore risk, it's very easy to become adverse to potential risk, but not all risk is in fact negative. The fact is that there will be return by undertaking risk. Every new initiative, by its very nature, will have a degree of risk, but with the right strategic approach, with the planning in place, with the resources and schedules that are required, the return can in fact, and should in fact, outweigh that potential risk. This is where a strategic approach helps reduce overall levels of risk, because it embeds the research that is required in assessing market opportunities. It allows you to determine suitable strategies, and then in turn undertake execution that reinforces those strategies and achieves the objectives that you have established.

It's very important as a result that you maintain accurate marketing risk registers, and that you're proactive in working through those risks so you can maximise potential return while minimising the potential costs.

# Slide 43 - Summary

In summary, we need to remember that there are various types of risk, and we need to be mindful of those risks and its impact on marketing, both to our internal organisation, but also our interaction and engagement in the external marketplace. We need to as organisations be able to determine a suitable level of risk.

* What level of risk will you consider acceptable based on your brand essence, your positioning in the marketplace, your stakeholders, the products and services that you provide?

You need to benchmark risk against the marketing mix. When we explore marketing risk, we are very much exploring this from the prism of the marketing mix and the experience that we wish to create, maintain and sustain, so we need to explore those elements in the context of that experience.

We need to embed appropriate marketing metrics, so that we can embed how we measure and proactively manage risk. And we need to be mindful that with risk does come potential return. We need to ensure that we consider return as much as we assess potential risk.

Thank you for following through the risk module. As mentioned, this is the second part of our marketing governance webinar content. We'll be exploring the other three pillars of marketing governance. Particular items that are of relevance to risk include the financial module, so how we start to assess financial return and costs from a marketing perspective, as well as also the accountability and metrics.

* How do we measure marketing outcomes and the chain of activities that obviously has a bearing in terms of how we measure and evaluate risk?

But the roles and responsibilities module is also appropriate, given that when we consider risk we need to identify appropriate levels of delegation and responsibilities so that there is accountability and rigour in the way that we undertake marketing activities. And of course, the first module, which explored strategic alignment, allows us to embed the strategic rigour that enables us to then in turn try and reduce potential risk factors through ensuring that marketing is seen as a combination of science, based on research and strategic rigour, that then in turn informs the art of marketing in terms of creativity and execution.

Thank you once again for your participation, and look forward to continued involvement as we continue our series on marketing governance.