



# EMEA 2008

MAKING SENSE OF OPPORTUNITY AND RISK:  
THE JOURNEY TO CONTRACTING EXCELLENCE

SEPTEMBER 22-24, 2008 • ROYAL GARDEN HOTEL • LONDON, UK

# Risk Management: Getting the Right Balance

Chris Mead, Commercial Director QinetiQ EMEA

A presentation to: The International Association of  
Commercial and Contracts Managers (IACCM)

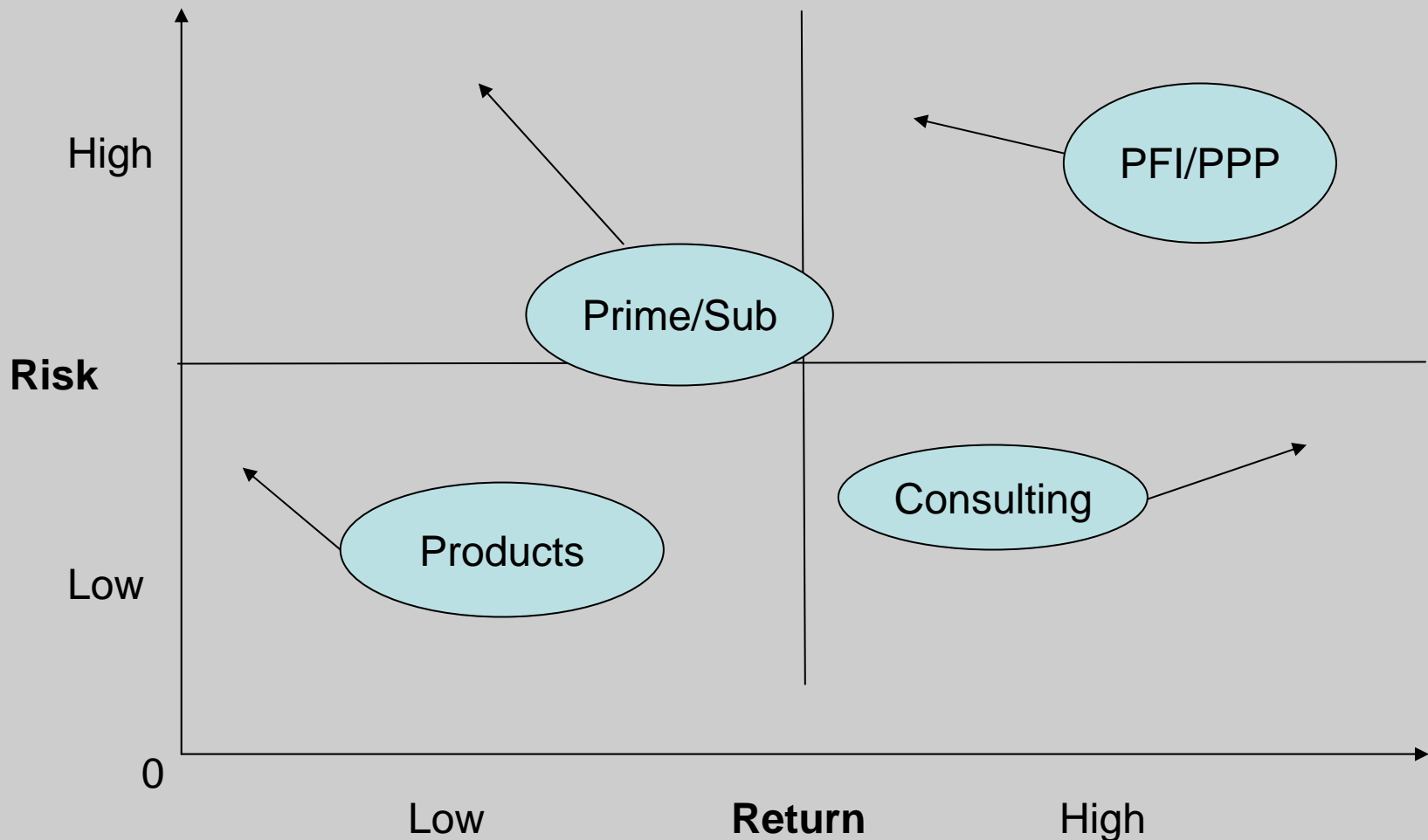
The Royal Garden Hotel

London

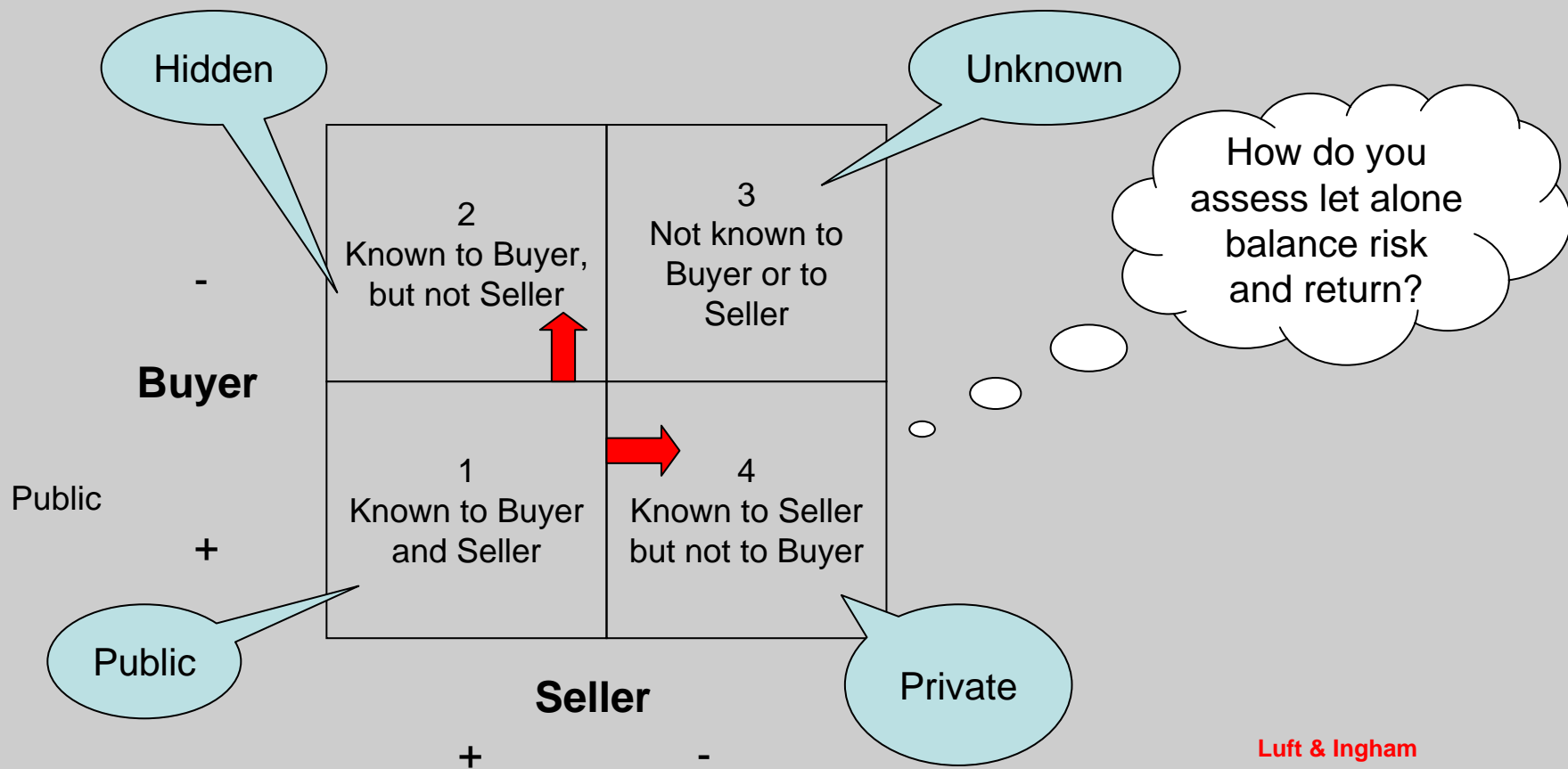
24<sup>th</sup> September 2008



# Transactional Risk

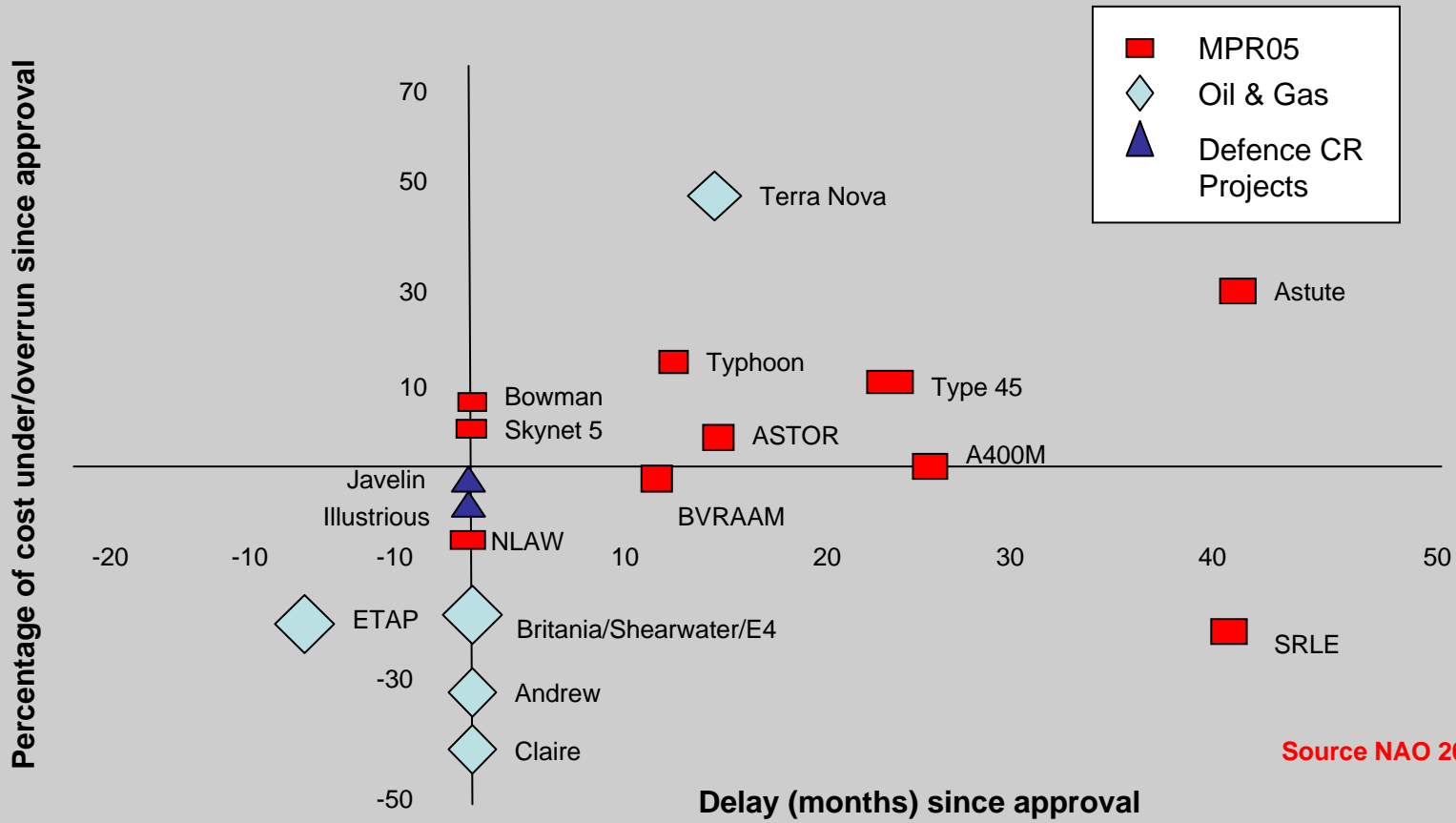


# Uncertainty Map



Luft & Ingham

# Project Outcomes



Source NAO 2006

# The PPP/PFI Experience

- **KPMG (2007)**
  - 94% meeting service levels
  - 63% contracts have deductions
  - Regular Communication
- **Partnerships UK (March 2006)**
  - 66% very good/good
  - 30% satisfactory
- **Ministry of Defence (Dec 2005)**
  - “PFI in MoD substantially delivers projects on time and within budget.”
  - 75% very good/good



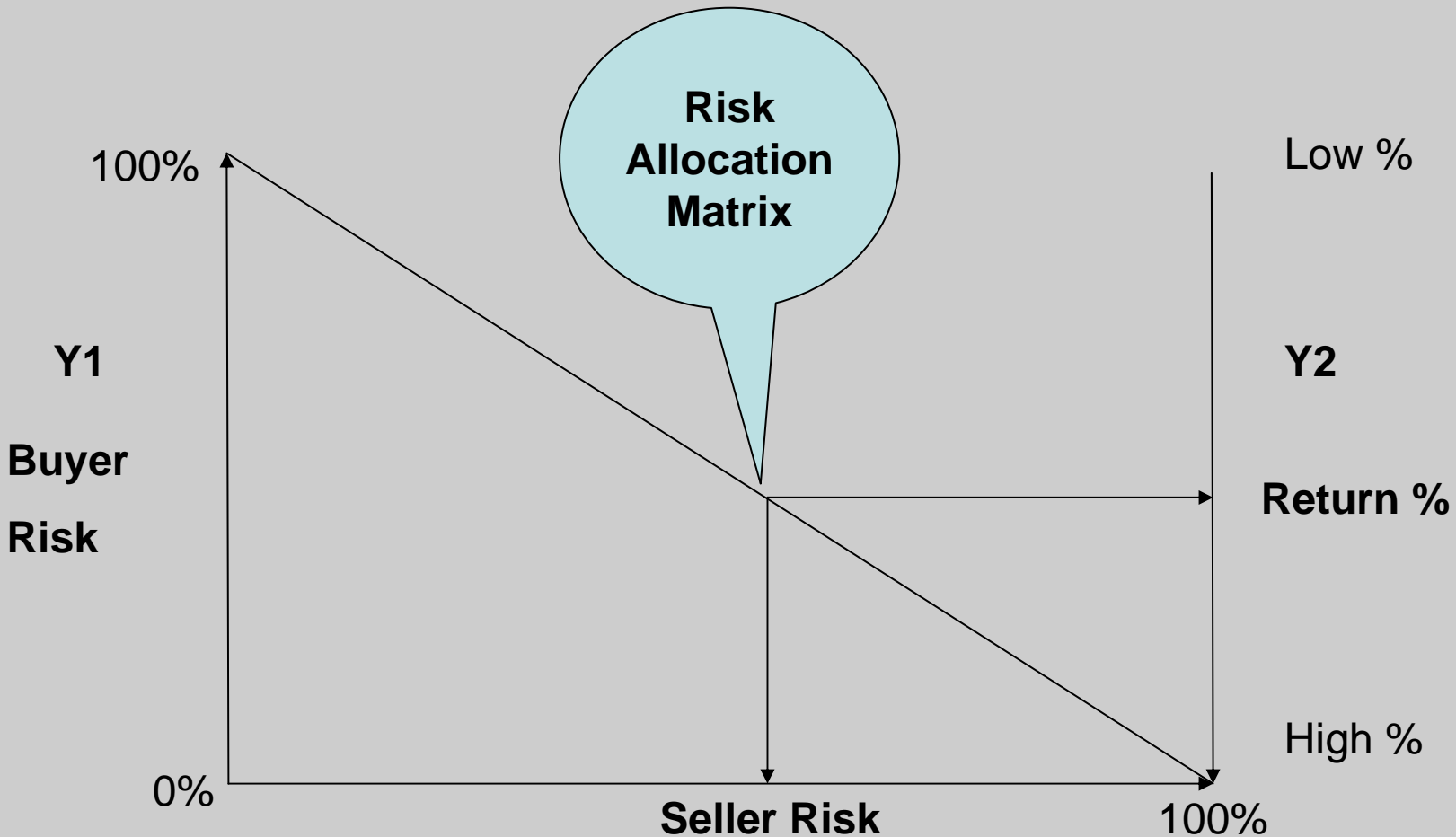
# PFI what makes the difference?

- **The Parties**
  - Lenders
  - Lenders technical advisors
  - Lenders legal Advisors
  - Monoline Insurers
  - Ratings Agencies
  - Financial advisors
  - Legal advisors
- **The Processes**
  - Independent Review of Risk
  - Due Diligence
  - Robust financial and risk modelling
  - Sensitivity (Consequence) analyses
  - DSCR
  - Rigour
- **Behaviours**

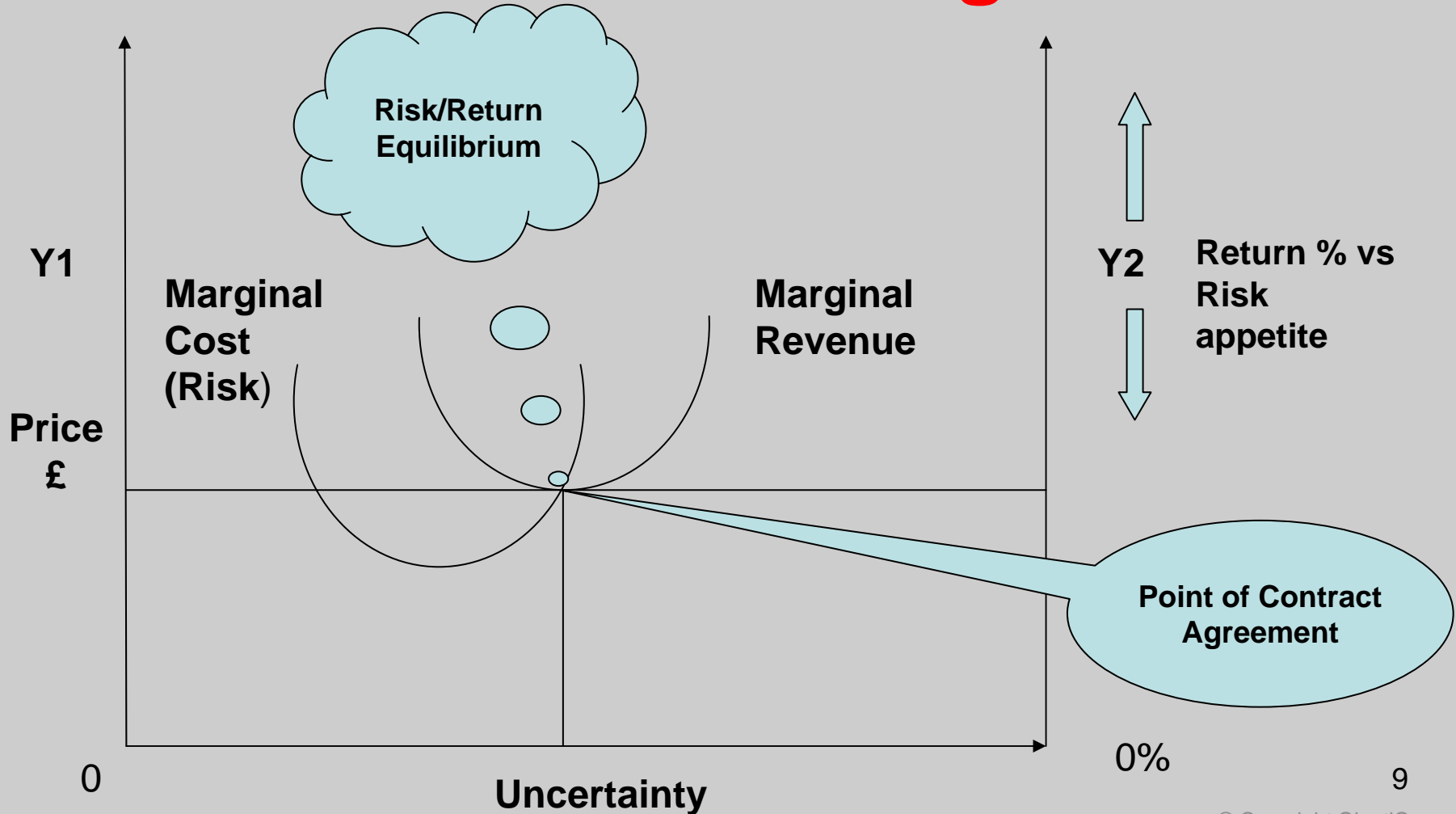


Professional Leadership

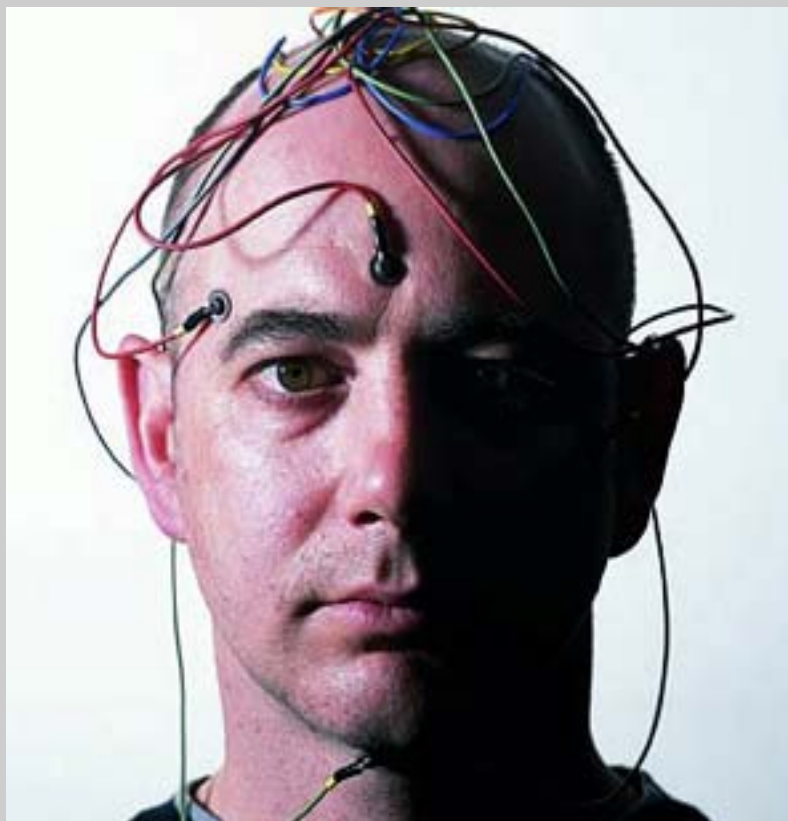
# The Risk/Return Balance



# Point of Contract Agreement



## The “man in the loop”



# Fear not...help is at hand!

- “Choosing the wrong individual could derail the whole arrangement.”

## **Effective Partnering - Office of Government Commerce**

- “Relationship workshops need to be held early..”

## **MoD DCD Partnering Handbook 3.3.2**

- “Where projects are long term, complex or involve inherent risk relationship/breakthrough workshops will be required.”

## **MoD /Industry Commercial Policy Group Guidelines No. 9**

- “Strong collaborative relationships go hand in hand with good project performance.”

## **NAO 2006**

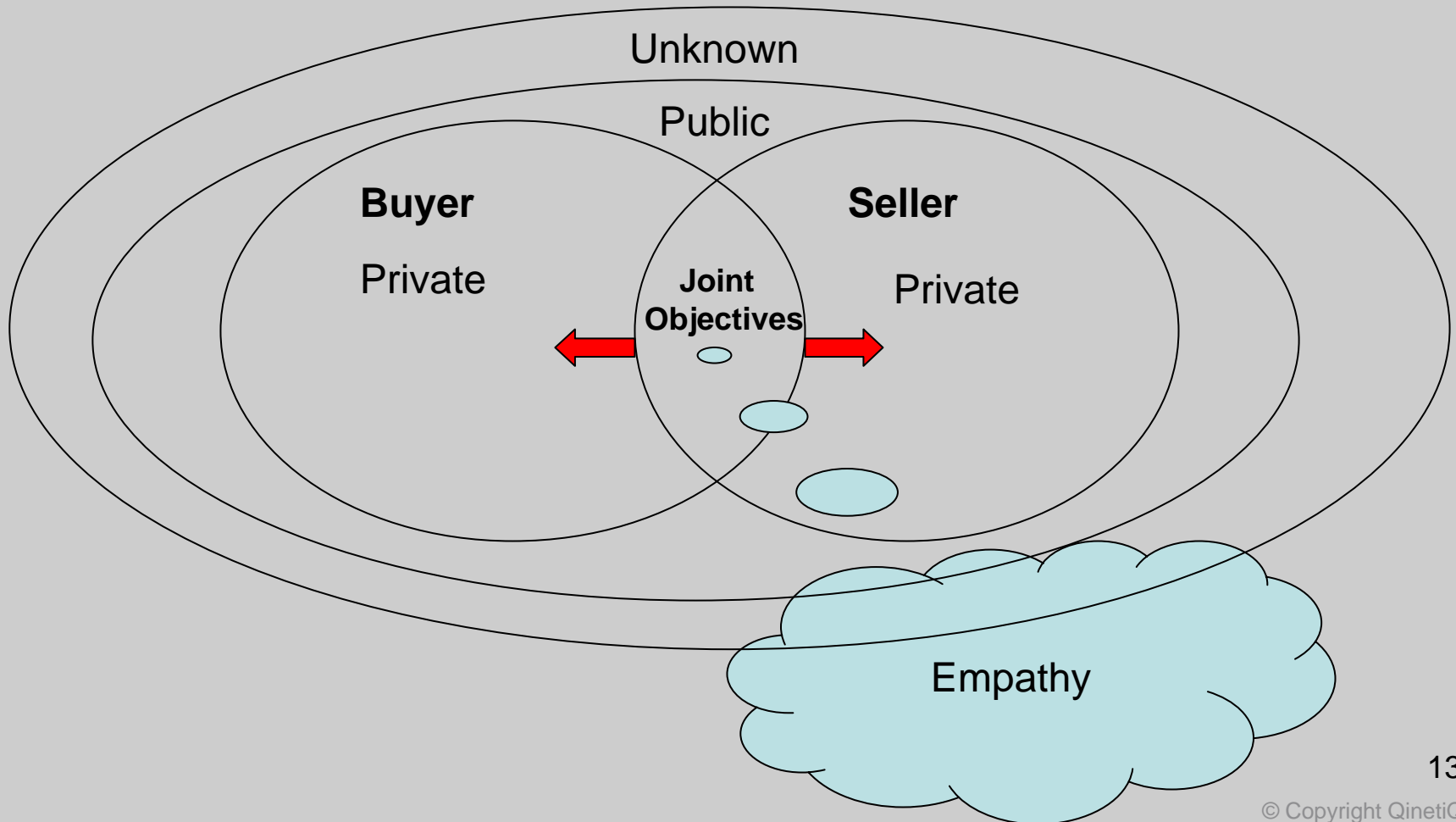


## The “P” Word

- Joint Objectives
- Performance Management/Incentivisation
- Governance
- Development
- Relationship Assessment and feedback
- But whatever happened to
  - Equity?
  - Reciprocity?



# Joint Objectives

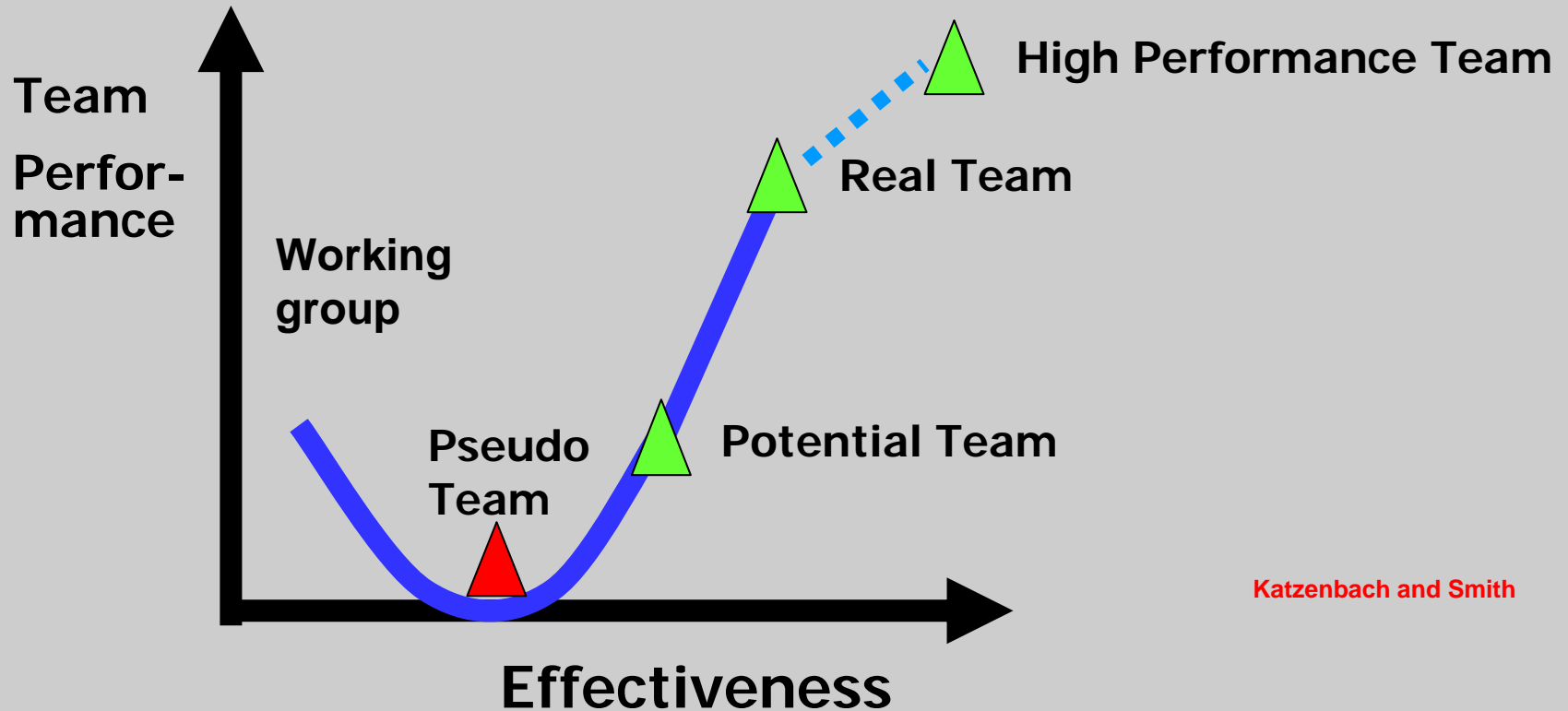


# Achieving Empathy

- More policies and guidelines?
- “..Breakthrough Workshops..”?
- Ability to stand in the other party’s shoes
  - Language
  - Listening skills
  - Questioning skills
  - Understanding
  - Feedback skills
  - Judgement
  - Decision making
  - Communication



# The Team Performance Curve

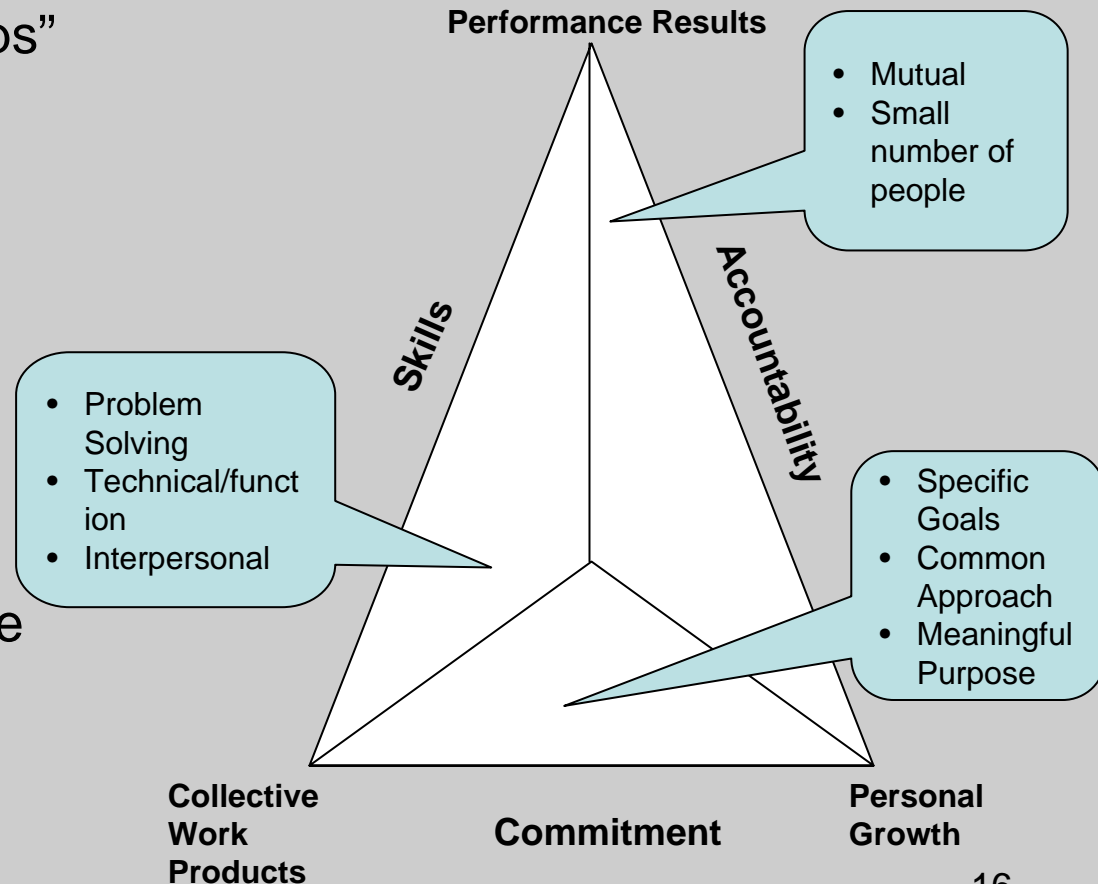


Katzenbach and Smith

# Team Model

Katzenbach and Smith

- “Collaborative relationships”
- Sustained Experiential Learning (David Kolb)
- Leadership
- Behaviours
  - Individual and Team Development
- Culture
  - “The way problems are solved.”
- Motivation



## Food for Thought...

- Create Effective relationships
  - Honest communication
  - Shared experiences
  - Minimised “Unknown” Quadrant
- Adopt the PPP/PFI independent Risk Assessment & Due Diligence process for significant prospects
- Apply the leadership and teamwork development model
- **But above all.....**
- **Invest in behavioural skill development of the “people in the loop”**



# QUESTIONS?