Risk Management In Logistics

Introduction

This essay will examine the aspect of warehousing within LSE-D and what risks are present that can impact its operational duties. This essay is comprised of four parts which will include a comparative analysis of LSE-D processes with clauses from ISO 31000:2018 (Risk Management – Guidelines). This essay will continuously refer to the headings and clauses from ISO 31000:2018, therefore access to ISO 31000:2018 (Second Edition, 2018-02) is advised.

Part 1 will examine the ‘best practice’ in risk management according to the principles contained in ISO 31000:2018 clause 4, and see how its principles are adhered to within LSE-D. Part 2 will examine the ‘best practice’ framework for risk management contained in ISO 31000:2018 clause 5, and compare it to the framework used within LSE-D. Part 3 will examine the ‘best practice’ risk management process implementation as per ISO 31000:2018 clause 6 and compare it to the process of mitigating risk employed by LSE-D.

Part 4 will critically analyse the risk management principles, frameworks, and process by LSE-D and how they align with or differ from ‘best practice.’ This part will also try to close the gap between the ‘best practice’ and current actual practice as well as proposing measures to lessen the gap.

LSE-D exists to support OP RESOLUTE and its Transit Security Element (TSE). LSE-D has a warehouse containing all equipment that is needed for boarding party that consists of TSE members. LSE-D warehouse is considered as tri-service logistics unit but the main difference is, all accountable items within are held on the charge of supply customer accounts (SCA) even if they are not in actual use. LSE-D process is governed by Electronic Supply Chain Manual (ESCM) and Defence Logistics Manual (DEFLOGMAN). Risk management is handled as per the manual and continuously updating/returning items to Joint Logistics Unit North (JLUN).

Part 1. Comparative Analysis – Principles

ISO 31000:2018 clause 4 explained the principle’s eight elements for effective risk management. LSE-D agrees with all the elements, although some elements are not implemented thoroughly. Below is a few of the elements that are most relevant to LSE-D.

Element A states that risk management is an integral part of all organization activities. This element is agreed defence wide hence the existence of risk assessment throughout all defence task documents. Unfortunately, most defence members will not read the risk assessment in its entirety for simple tasks, and assume that it exists only to satisfy governance requirements.

Element C states that risk management framework and processes are customized and proportionate to the organisation’s external and internal context related to its objectives. LSE-D will always try to identify the optimum method to manage its risk to the goal needed. Unfortunately, due to defence’s obligations to maintain a safe workplace for its employees, LSE-D often outsourced its tasks to civilian contractors which are resource intensive.

Element D discusses the inclusion of the appropriate and timely involvement of stakeholders. LSE-D holds true to this element especially where all taskings involve more than one unit across states. LSE-D is active and routinely hold logistics synchronisation (logsync) with Maritime Border Command (MBC) in Canberra, and Patrol Boat group to assess current and future demands. This aligns with element F being best available information is a key input to risk management.

Element E states the dynamic nature of risk management that will be able to anticipate, detect, acknowledge, and respond in an appropriate and timely manner. This element is where LSE-D performs effectively. Having autonomy from Canberra as well as fully manned, LSE detects then reacts to risks that arise effectively. Although there are times when Canberra would veto a risk management process for what some perceive, a better solution.

Element G states that human behaviour and culture significantly influence all aspects of risk management. LSE-D acknowledge this through how different the thought process of the OIC LSE-D from the supervisors in MBC Canberra. This should be bridged by utilizing element D.

Element H states the continual improvement in risk management through learning and experience. LSE-D does modify its routine to make its processes more effective. Having autonomy to manage its internal processes, as long as it complies with governance requirements and achieves the intended outcome enables LSE-D to freely experiment to increase its efficiency.

Part 2. Comparative Analysis – Framework

ISO 31000:2018 clause 5 explained how risk management framework is able to assist the integration of risk management in every activity and function. A risk management framework will outline how LSE-D detects, examines, and reacts to risks. Especially when risk management is to be integrated throughout defence in all planning activities to implement processes and ensure potential risks are fully taken into consideration within decision making (Joint Directive on the Management of Risk in Defence 30/2015).

Leadership and commitments

LSE-D has support from the head of Maritime Border Command and takes advantage of synergies within MBC command elements. All personnel within LSE-D are aware of the delegations that need to be sought for various items and services needed. For logistics management and its risk assessment, personnel are able to access the underlining documents of the public governance performance and accountability (PGPA), DEFLOGMAN, ESCM et al to ensure all processes are within the remit of LSE-D. All tasks, movements, and pers issues are reported through the appropriate chain of command to ensure smooth operation of the unit. A clear chain of command is vital to develop and enforce organisational support towards risk management (Waters & Waters 2011).

Integration

To properly integrate risk management, an understanding of LSE-D structure and goals is important. LSE-D exists to ensure there is a single point of contact for OP Resolute specific

logistic requirements including equipment to sustain the current TSE compliment, as well as holding sufficient levels of contingency stock for enactment of additional rotations at short notice if required.

LSE-D understands both the external and internal context upon which it bases its risk management. Some external contexts are provided by the political atmosphere, cultural factors, public perceptions, and inter-dependencies between other ADF units to complete a task. While the internal contexts come from PGPA, ADF policies, and the relationship with internal ADF stakeholders for example Patrol Boat Group or even outside of the ADF such as order Force.

Roles, authorities, responsibilities, and accountabilities

LSE-D has a clear chain of command in both logistics and personnel operations which articulate who is accountable for what both LSE-D and TSE are tasked with. The only KPI for LSE-D is that all tasks are completed safely, effectively and on-time. Risk management is done locally by LSE-D for routine tasks but for ad hoc event generated taskings, the risk will still need to be accepted by the correct supervisors located in MBC Canberra.

Allocating Resources

All LSE-D personnel are trained to effectively manage and document the resources provided and utilised. Personnel also conduct courses as part of their career progression which can be utilised back in LSE-D.

Establishing Communication and Consultation

Communication and reporting mechanisms exist in every part of ADF operations and are extensively utilised by LSE-D. Due to LSE-D’s direct reporting chain being based in Canberra, LSE-D generates weekly reports consisting of all activities important current and future tasks and their status. LSE-D also conducts a logsync with MBC logistics in Canberra via telephone every Tuesday.

Implementation

LSE-D has implemented its risk management framework by making sure decisions are made at the appropriate level. Every member of LSE-D is aware that they work under certain guidelines such as PGPA and the ESCM and know the importance of seeking appropriate guidance to clarify and ambiguity in the task prior to carrying out any financial commitment or action.

LSE-D also provide expectation management to stakeholders to ensure relevant contingencies are identified and the appropriate course of action is taken.

Evaluation and Improvement

LSE-D continually review the implemented risk management framework to better cope with the rigor of the operation. All improvements which require the outlay of public funds will always be critically analysed and pushed up the chain of command for approval

Part 3: Comparative Analysis – Process

ISO 31000:2018 Clause 6 will examine the process of risk management through a systematic application of policies and procedures, through to recording and reporting risk. This section will analyse risk processes implemented by LSE-D which contrast the ISO document.

Communications and Consultations

LSE-D has a robust communication and reporting process. LSE-D routinely engage with multiple stakeholders through formal and informal means. This in turn provides LSE-D with sufficient information to assess risk and be able to make informed decisions.

Scope, Context, and Criteria

Risk management process may be applied at different levels. LSE-D is primarily involved at the operational or tactical level. LSE-D, as well as MBC have and will always specify the level of relative risk it will accept whilst balancing it against the objectives that need to be met.

Risk Assessment

LSE-D employs both subjective and objective methods of risk assessment to its tasks. Subjective identification techniques are usually taken before a more detailed objective analysis. The initial method for LSE-D is SWOT (ops/tactical) whilst HQMBC will utilise Joint Military Appreciation Process (JMAP) for its strategic assessment before passing the task down the chain to LSE-D (Hoskin, 2009).

Objective analysis will consider established processes such as Root Cause Analysis (RCA) (ThinkReliability, 2018), process control (Waters & Waters, 2011), and supply chain mapping (Achilles, 2018). Through subjective and objective processes, LSE-D will be able to analyse, evaluate and determine the risk to a task and manage it accordingly.

Risk Treatment

LSE-D will identify the risk and a treatment or hedging will be put in place either as per pre established treatment option or a novel treatment to deal with the event. Most of the risk treatment by LSE-D will be at a tactical level such as delivering a variety of equipment to a location or procurement of goods and services.

Monitoring, Reviewing, Recording, Reporting Risk

LSE-D will identify risk that is inherent in every activity at the beginning and assess periodically throughout the activity. Risk to the activity will also be laid out in the Safety Risk Assessment appendix to an activity document.

Physical risk can be reported through SENTINEL reporting using DRN terminal. SENTINEL is able to register a potential risk as well as incident reporting.

Part 4: Critical Analysis – Risk Management Improvements

Basing on ISO 31000:2018, LSE-D and by extension MBC, will need to improve in a few aspects to meet with the international standard of risk management. Mainly in risk treatment.

LSE-D, in principle has integrated and implemented risk management throughout its business practices. Unfortunately, due to ADF's strict emphasis on physical safety, most risk treatment chosen (contractors, etc) will only offset the associated costs rather than minimise them.

Because of previously stated reasons, LSE-D at times bypass MBC and implement its own risk management and treatment to be able to "get the job done" whilst complying with policy and legislative requirements.

Conclusion

This essay has analysed and compared the risk management framework, processes, and integration within LSE-D against the international risk management standard in AS/NZS ISO 31000:2018 Risk Management-Principles and Guidelines.

Part 1 indicated LSE-D agreed and complies to most if not all of the risk management principles of clause 4 although most of the time, circumstances forces the unit to modify its level of compliance with the principles. Part 2 compared LSE-D risk management framework with the standard from clause 5. Most of the framework is taken directly from the existing policies such as PGPA, DEFLOGMAN, ESCM. LSE-D abides with those documents when managing risk. Part 3 analysed LSE-D's implementation of risk management as per clause 6 of the ISO. LSE-D is found to assess risk at an operational or tactical level and will also employ risk treatment according to its level. A measure of reporting potential risk also exists in the form of SENTINEL reporting. Part 4 analysed how LSE-D and by extension, MBC, can improve in its risk management. The risk cost-benefit ratio can be tipped heavily on one side due to the overly risk adverse stance of ADF.

LSE-D endeavours to comply with the international standard of risk management ISO 31000:2018, however there are aspects within its risk management that will always need to be flexible due to the dynamic nature of ADF operations.

References

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