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GUIDE 2020

New challenges, new lessons

Covid-19 pandemic and the future of crisis management
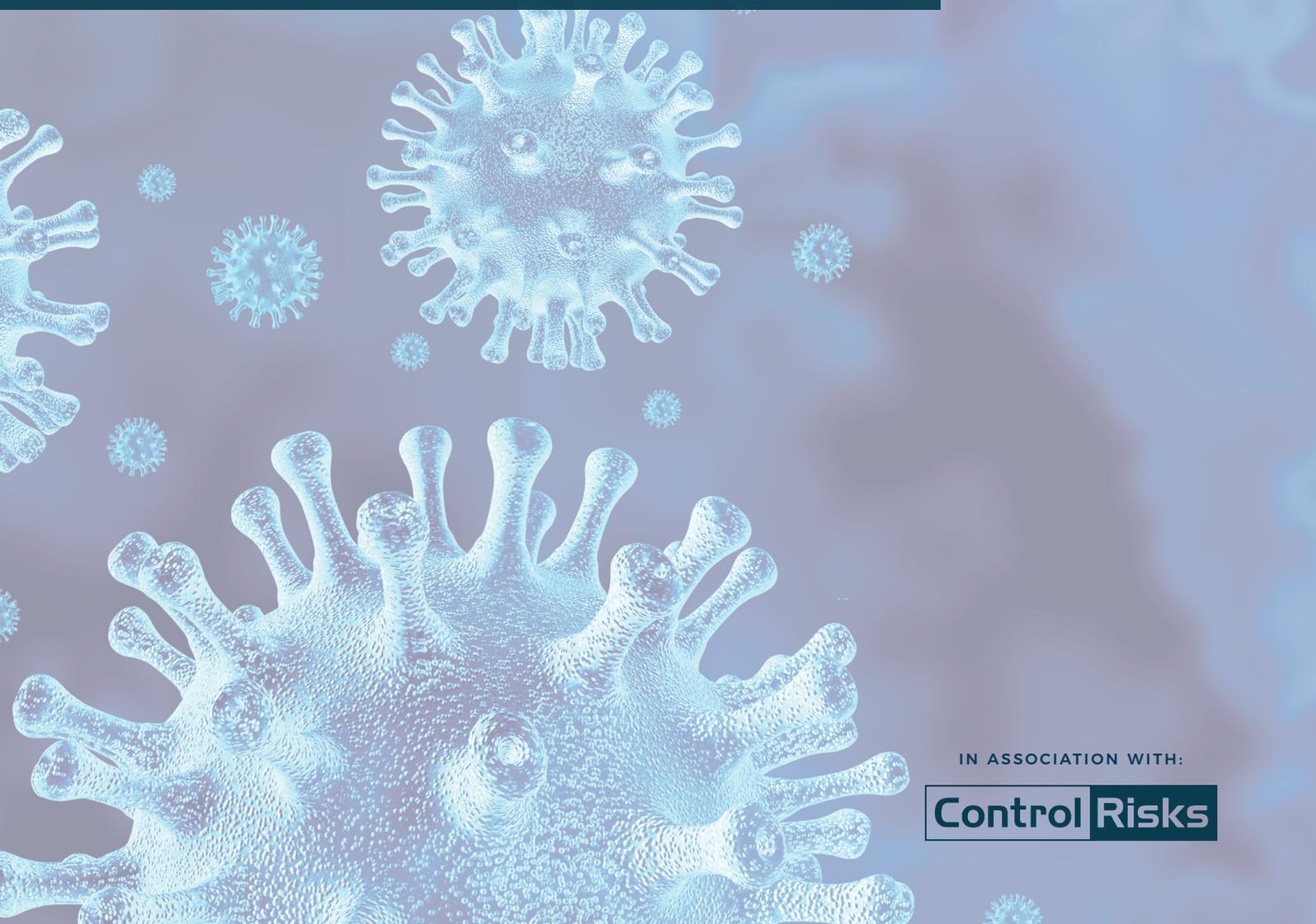
Acknowledgements

Airmic would like to thank Control Risks, who has prepared this paper on behalf of Airmic.

About Control Risks

Control Risks is a specialist global risk consultancy that helps to create secure, compliant and resilient organisations in an age of ever-changing risk. Working across disciplines, technologies and geographies, everything we do is based on our belief that taking risks is essential to our clients' success.

We provide our clients with the insight to focus resources and ensure they are prepared to resolve the issues and crises that occur in any ambitious global organisation. We go beyond problem-solving and provide the insight and intelligence needed to realise opportunities and grow.

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Control Risks

About Airmic

The leading UK association for everyone who has a responsibility for risk management and insurance for their organisation, Airmic has over 450 corporate members and more than 1,300 individual members.

Individual members include company secretaries, finance directors, internal auditors, as well as risk and insurance professionals from all sectors.

Airmic supports members through training and research; sharing information; a diverse programme of events; encouraging good practice; and lobbying on subjects that directly affect our members.

Above all, we provide a platform for professionals to stay in touch, to communicate with each other and to share ideas and information.

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Foreword

Covid-19 presents significant challenges to people and organisations around the world, and as the disruption continues to evolve, it's important that organisations remain alert and agile and prepared to respond as the context changes.

The purpose of this report is to explore the challenges organisations have faced during the Covid-19 crisis, highlight lessons learned and still being learned, and make suggestions for changes to crisis management practice to build resilience – whatever the future might hold. The report is aimed at Airmic members who have a responsibility for organisational resilience, as well as their top management, their peers within their organisation and external stakeholders.

The report uses information from a meeting of the Airmic risk management special interest group in May 2020, a 'pulse survey' survey of Airmic members conducted in August 2020 with a focus on pandemic crisis management, as well as other sources of contemporary information, including Airmic partner Control Risks.

This report assumes that a pandemic is not a 'black swan' risk. The black swan metaphor has promoted a mentality and sense of helplessness in the face of daunting threats and provided a cover for failing to act in the face of clear and present dangers.

A "black swan" is the term for something that is highly improbable, even unimaginable. It comes from the observation that European explorers in Australia were amazed to see black swans for the first time, because they could only picture swans as being white. Nassim Nicholas Taleb popularised the term in his book of the same name, published in 2007.

The black swan has one benefit, which is that it encourages people to expand their ideas of what might happen. If they take the concept to heart, they can build resilient systems with safeguards. But mostly the metaphor has been a justification for inertia and inaction in face of expert warnings. It reinforces a dysfunctional status quo in which many people believe that neither we nor our governments have any power to stand up to looming dangers.

Epidemiologists and other public health experts have been warning that the world was ripe for the next pandemic, and that global air travel, climate change and antibiotic resistance make us more vulnerable.

Michele Wucker: Washington Post, March 2020

Michele Wucker is a Chicago-based strategist and author of **The Gray Rhino: How to Recognize and Act on the Obvious Dangers We Ignore.**

In 2020, the World Economic Forum identified infectious disease on the dimension of potential impact in its Long-Term Risk Outlook Top 10 – disease has been on the equivalent list for over ten years.[1]

When Airmic members were asked in March 2019 to draft their 'Nightmare Headline', a pandemic featured.[2]

GLOBAL TRAVEL BAN AS PANDEMIC DECLARED IN LONDON
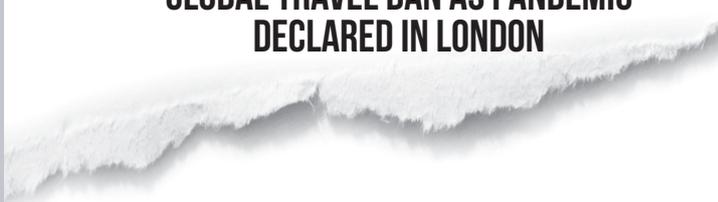
In September 2019, CNN reported: "The risk of a global pandemic is growing – and the world isn't ready, experts say." [3]

1 Global Risks Report – World Economic Forum 2020, reports.weforum.org/the-global-risks-report-2020
2 Guide to Emerging Risks – Airmic 2019
3 Global Pandemic is Growing – CNN 2019, https://edition.cnn.com/2019/09/18/health/who-pandemic-report-intl-hnk-scli/index.html

01 Introduction

There is no simple crisis management solution

One of the key questions that organisations have been asking themselves since the Covid-19 pandemic started is whether the crisis response has been effective or whether the fundamentals of crisis management and business continuity need to adapt to better meet the challenges of business operations in such a rapidly emerging, far-reaching, long-term crisis and recovery period – and whatever may surface next.

The UK Government was initially well prepared to respond to the pandemic but then apparently 'de-prepared'. The Global Health Security Index (https://www.ghsindex.org) released in November 2019 examined whether countries across the world were prepared to deal with an epidemic or a pandemic. The index analyses preparation levels by focusing

on whether countries have the proper tools in place to deal with large-scale outbreaks of disease. Measured on a scale of 0 to 100, where 100 is the highest level of preparedness, the United States came first, followed by the United Kingdom and the Netherlands. Unsurprisingly, higher income countries tended to record better scores in the index.

In March 2020, the UK took conscious decisions not to act on movements of travel and a nationwide process for tracking and tracing. Did the UK response influence the nature and speed of response of UK organisations?

Despite early warning signals of a new type of pneumonia of unknown origin reported to the World Health Organization (WHO) by China on
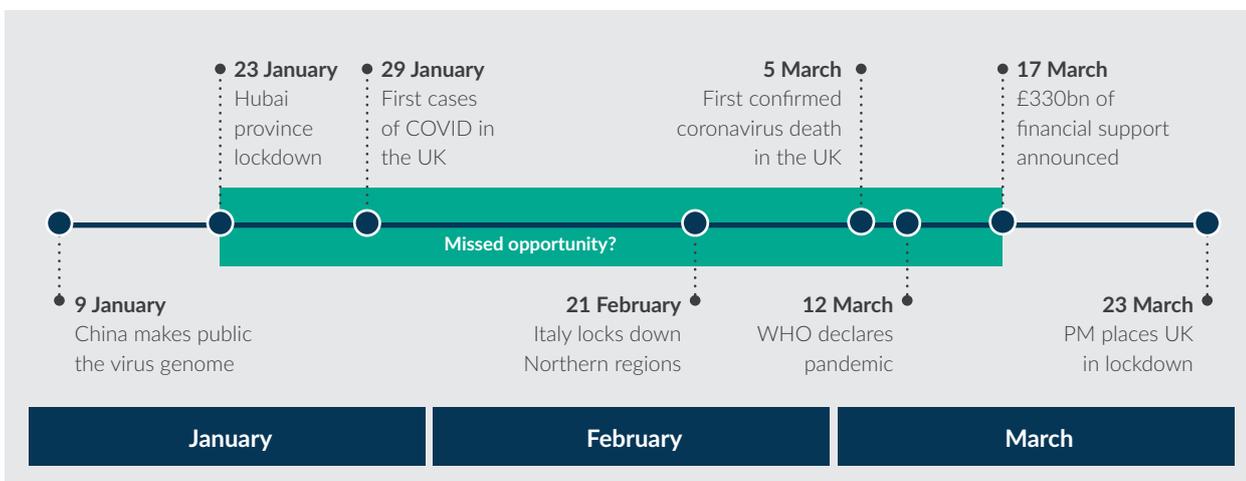

FIGURE 1: Timeline to UK lockdown
Source: Control Risks, 2020

31 December, it took many countries until the beginning of March 2020 to fully appreciate the potential impact of the virus. Subsequently, businesses that were relying on guidance from the Government to tailor their disease response strategies underestimated the potential impact of the eventual pandemic and generally were too slow to respond, and as a consequence, were left exposed (see Figure 1).

Throughout the pandemic, organisations have responded in a variety of ways to limit the impact to their operations. Whilst some have reacted quickly, demonstrating robust leadership, flexibility and effective communication, others have struggled to do the right thing at the right time, putting additional pressure on their people, processes and systems.

Leadership has been challenged by a lack of useful intelligence and data to support business decisions, leading to knee-jerk, short-term reactions. Some supply chains were caught off guard, with limited contingency plans for strategic sourcing options in an interconnected global crisis.

At an operational level, many businesses' processes were found wanting around the long-term business impacts to office spaces, for example, the ability to supply home workers with laptops, monitors and basic office furniture to make working at home possible, safe and healthy.

Decisions taken by a company to achieve capital efficiencies can change the profile and shape of risks. Manufacturing plants consolidated into fewer, larger locations to leverage production cost savings, and a reduction of suppliers within supply chains to leverage discounting can collectively impact the business model. Changes may intensify location and supplier risk severity profiles and amplify risk aggregation through the connected effects of change. This will in turn impact business continuity and crisis management plans, which should be adjusted after running new scenarios, integrating holistic threat monitoring and event triggers, and modifying the level of readiness and agility required to respond.

Business Continuity Management and Crisis Management should be aligned to strategic direction

Business Continuity Management (BCM) initially developed from Disaster Recovery (DR) planning and the need of US banks to ensure continuity of their corporate data centres. The goal of DR was to protect technical systems rather than to provide organisational or business resilience. Over the last four decades, BCM and Crisis Management (CM) have broadened into an organisational framework, supported by standards and good practice guides in response to and informed by a number of historical business-critical events.

Current good practice for tangible events (for example, those affecting physical assets) includes having a single BCM central focal point of expertise, with support and ownership distributed within the organisation at key locations and sites, and with key business functions and other stakeholders (including key organisations in the supply chain). The traditional roles and responsibilities of the central resource include the management and maintenance
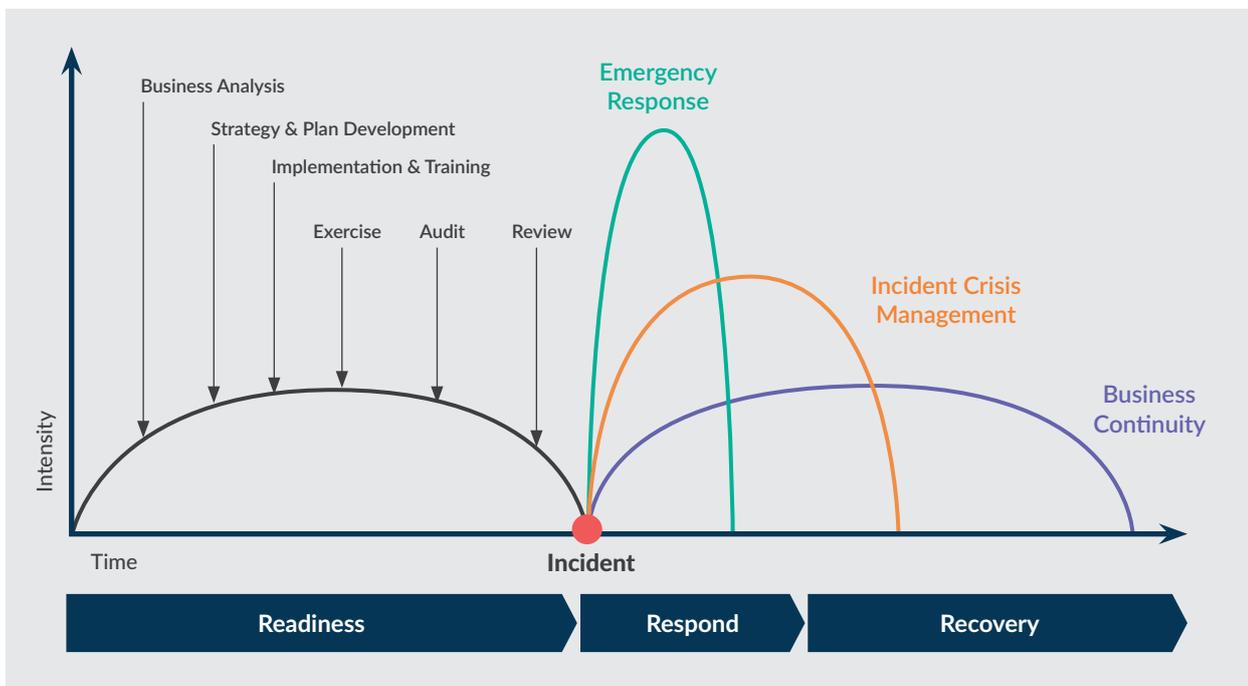

FIGURE 2: Crisis and incident response lifecycle
Source: Control Risks

of the BCM and CM framework, including policy, funding, training, rehearsal, testing and awareness. In the event of an incident, the emergency response team is first 'on the scene' and a crisis management team is invoked to manage the incident in the short term. Once the incident is under control, the crisis team is stood down and the focus is handed back to the business continuity team to ensure the BCM framework is followed (see **Figure 2**).

Despite current standards and guidelines, governance and BCM and CM practices vary significantly across organisations. Definitions can be poorly defined, inconsistent across business functions and entities and, consequently, open to misunderstanding. Top management has tended to believe that business continuity should remain the responsibility of Information Technology and Facilities Management. In the Q3 2020 edition of *Continuity and Resilience*, the magazine of the Business Continuity Institute (BCI) and Airmic partner in the Resilience Alliance, businesses are exposed: 24% of organisations surveyed

lacked plans and processes, 84% reported gaps in external communications and 60% needed deeper supply chain resilience.

Whilst Airmic members surveyed in August 2020 reported a positive experience in terms of organisational crisis management response, and that as professionals they had the right competencies and mindsets to think and act at an enterprise level to deal effectively with the pandemic, they also reported a more critical role for risk professionals going forward and the supplementary knowledge and skills required to achieve this. This response was most notable in crisis management and collaborative working generally, and in understanding the interconnectivity of different risks and engaging with business issues, specifically.

Challenges have been amplified during the Covid-19 crisis

The pandemic has amplified the challenges of a siloed approach to BCM and CM. It has clearly highlighted the disconnect between strategic risk and operational resilience and response. Resilience is the ability of an organisation to absorb and adapt in a changing environment. Effective resilience is founded on successful risk identification and mitigation. Workforces that have a culture of risk identification, scenario modelling and mitigation, as well as a system and culture encouraging them to 'speak up', are much better placed to respond to the fluidity of crises and to embrace innovation and the potential upsides of uncertainty. These organisations derive the strength of their culture from the tone set from the top, through visible executive support, through an active risk leadership and by demonstrating the value of risk in decision-making.

Achieving resilience is challenging and requires significant board-level support, but achieving and maintaining resilience and successful digital transformation is even more challenging. Research by Airmic has identified eight principles for achieving resilience and digital transformation: [4]

1. Having a risk radar that is focused on emerging risks and developments in technology
2. Having the resources and assets to be able to take full advantage of developments in technology
3. Having relationships and networks that are constantly developed and extended
4. Rapid response supported by excellent communication within the organisation
5. Review and adapt to events to protect and enhance reputation
6. Redesign processes to embrace new technologies and encourage innovation
7. Retain stakeholders during the transformation by analysing big data
8. Reinvent purpose by opportunity awareness, commitment and capabilities.

From informal discussions with clients and other professionals, Control Risks has also been hearing that BCM and CM are still seen as the tactical response to crisis and are the people to call when the 'blue flashing lights' arrive. While many professionals have managed the initial response to Covid-19 well, there have been challenges managing the broader and longer-term impacts of a prolonged crisis with multiple scenarios. Organisations instead have stood up multidisciplinary teams to lead key strategic decisions and crisis response, often without BCM or CM professionals in the room.

4   https://www.airmic.com/sites/default/files/technical-documents/Roads-to-revolution.pdf

How professionals and organisations have responded: Results of the Airmic member survey

As organisations are beginning the slow process of reopening, significant challenges are being faced. Organisations must balance employee health and wellness while also figuring out how to get their business back to a viable operational and financial state. If organisations want to stay competitive, they will need to refresh their purpose, become more forward thinking and re-evaluate their current approach to business in order to survive and thrive.

Although the trajectory of the Covid-19 pandemic cannot be predicted, it is likely that it will continue over several years. Long-term planning will therefore be critical. The initial responses have, however, been largely focused on the short term.

The onset of the Covid-19 pandemic challenged organisations and their leaders unlike anything else in recent memory. The velocity of the spread of the pandemic drove government decisions to shut down some parts of life and economies at a shocking pace. Many business leaders had to make decisions of strategic importance in real time, knowing that the impact on their employees and stakeholders could be extraordinary.

Few decisions will have been perfect, and those made quickly and amid a panic-inducing global emergency will almost certainly require some adjustments. As the crisis moves along, leaders need to take the opportunity to pause, record and reflect on the lessons learned. How do organisations avoid hard-to-reverse outcomes that may be regretted and ensure that what follows is designed and driven so that this is better?

But it is hard to look longer term when the crisis timeline loops back because of further pandemic spikes, as the Government and organisations want to move to an academic and economic recovery mode.

The longevity of this crisis

The Covid-19 environment and response created a unique business continuity experience for every business in the UK and beyond – a truly global and long-lasting abnormal experience outside of any scenario planning organisations probably carried out. The total lockdown of society, which lasted for much longer that the initially perceived few weeks (and total lockdown may yet reoccur), led to increasingly established patterns of remote working, furloughing of other staff and significant business disruption far outside of anything that was originally envisaged. In many respects, the damage caused to the economy and business can be compared to that suffered after major conflict but without the physical damage. I do not think that our standard peacetime business continuity plans were created for this national/global scenario. Mind you, at least we are all in the same boat unlike most business continuity disruptions!

However, on the other side of the coin, the longevity of how we are now working in this abnormal environment has driven the need to view this as the 'new normal'. Many businesses have realised that they can work perfectly effectively away from 'the mother ship'. Indeed, many workers are positively delighted to escape from the routines of the commute and the office. Others are less enthused, especially those who look to their employer and colleagues as a source of community and contact.

In this increasingly normal way of working, how long does it remain relevant that your crisis management and/or incident management team remains in charge? Is the fact that you still have them running signalling to staff that all is not well? Afterall, this situation could continue for months, with peaks and troughs of external limitations. At what time should your normal chains of management take back the reins of control? Unlike a 'normal' business continuity scenario, it will not be when you are all back to as before, as the new normal will no doubt look quite different to the old and will also most inevitably require some key strategic decisions to get there. It can be an opportunity to change your business – not something most would expect their incident management team to decide and implement.

An incident management team can be a type of comfort blanket, but it needs to have agreed parameters for when its role is no longer needed and not be left to run on because the new normal will look nothing like the old.

Fiona Davidge, Enterprise Risk Manager, Wellcome Trust
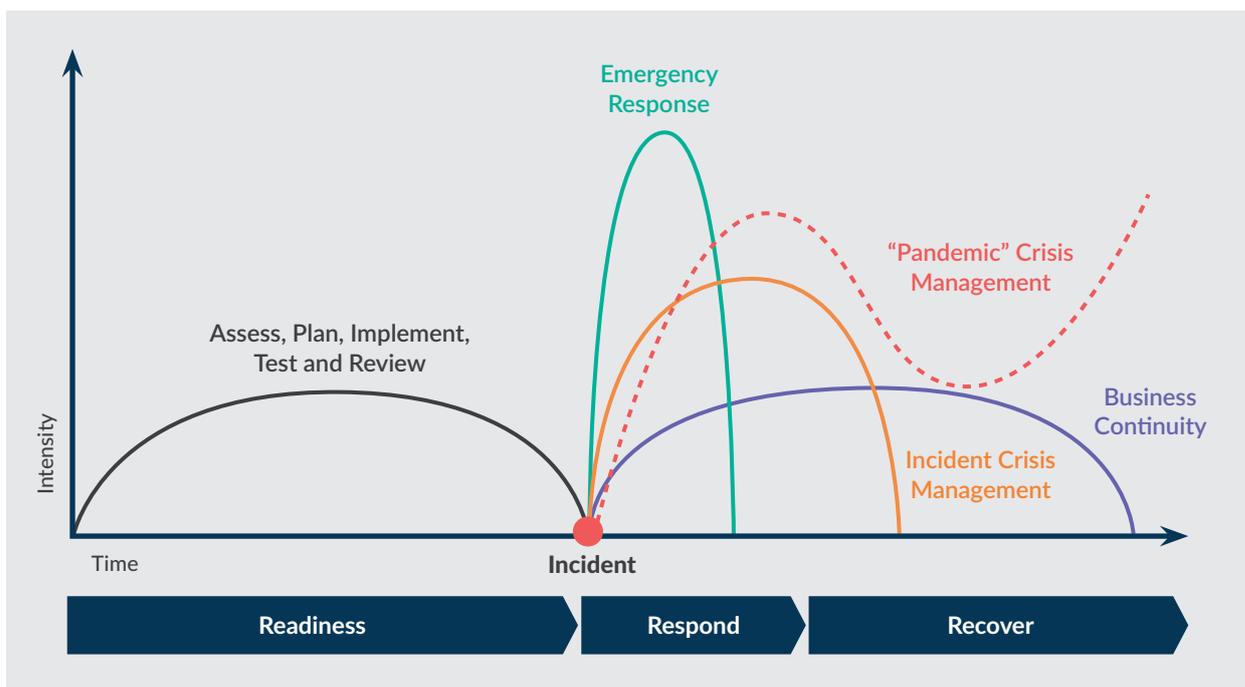
Figure 3. Figure 3: Crisis response and business recovery practices need to change with an ongoing crisis

Source: Control Risks, Airmic, 2020

Figure 3 challenges the linear process illustrated at Figure 2. It is unlikely that the emergency response will double back, but the crisis response could – potentially twice, three times or more – until there is a reliable control in the form of vaccines and antivirals.

Within this context, Airmic and Control Risks held a roundtable meeting with the Airmic ERM Special Interest Group in June 2020, as well as conducting a survey of 132 risk professionals in August 2020, for insights on how risk professionals and their organisations did during the pandemic and what competencies they require to be future-fit.

1) Leadership

Effective leadership is regarded as the most important resilience principle that organisations prioritise – 70.7% of our respondents to the survey said it was what their organisation would classify as being among their top three priorities. This requires striking the balance of involvement of senior leadership (i.e. CEO) in continuous crisis management, while avoiding knee-jerk, ill-informed leadership decision-making.

As Ludo Van der Heyden and Peter Nathanial of INSEAD Business School have observed[5], there are very few truly unprecedented crises. More often

5 P. Nathanial and L. Van der Heyden, INSEAD Working Paper 2020-17, Crisis Management: Framework and Principles

than not, leaders simply freeze when faced with a crisis, when they should be surveying the past with an objective, rational attitude and brain-storming the horizon – in order to give them a general yet informed idea of the threats they may encounter.

2) Data

During the crisis, there was overwhelming reliance on UK Government sources for risk intelligence – 84% of our respondents found it the most useful source of risk intelligence – followed by third-party sources such as the Johns Hopkins Coronavirus Resource Center online (54.7%). Less than half of respondents relied on more tailored advice and guidance such as from risk advisers (45.3%) and insurance advisers (22.7%).

Having access to accurate information is critical, of course. As Lynda Silsbee Forbes and the Forbes Coaches Council point out though, indecision could result from spending too much time gathering data and a crisis situation could move along so quickly that leaders end up with a worse result of making no decision at all. [6]

3) People

There were high levels of confidence that risk professionals have had the right competencies to deal effectively with the pandemic, especially pertaining to risk awareness and scenario planning skills – 85.4% of our respondents believed risk professionals in their organisations have the right knowledge, skills and behaviours to do so. Where it was felt they required further development was in the awareness of the interconnectivity of different risks and in engaging with business issues. The structure of the current workforce in some organisations is not set up to meet future

requirements. Of our respondents, 39.5% said their organisations were not considering remote working as a permanent option, even for roles that allow for it, or were still tentative about remote working options.

People are the key factor in a successful response

2020 has been an unprecedented year, with the spread of a virus that most knew was theoretically possible but that was not, in risk terms, considered highly probable. As a result, many organisations have come to understand the importance of having well-tested business continuity plans and the value of their risk managers – both great for our profession.

However, what in my mind has really come to the fore, both in business and in our communities, is the vital part people play in any scenario. It is the willingness of people to go above and beyond, to adapt to completely different working practices whilst suddenly having to juggle the care of family members, the schooling of their children and the stress of living through a year unmatched in living memory that has kept many organisations and communities afloat.

The one thing I will take from these past months is how vital our people are and how incredibly they can support us when needed if we, and our C-suite, communicate at a human level. Risk and BCM are so much more than process and policy – and, as risk managers, gaining a greater understanding of the psychological impacts of and reactions to events can only make us more effective.

Amanda Harris, Head of EU Governance, Risk & Compliance, Europe, NTT Germany Holdings

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6 https://www.forbes.com/sites/forbescoachescouncil/2020/08/13/leadership-and-other-lessons-what-the-pandemic-teaches-about-crisis-management/#485f56b63ca6

The backfilling loss of critical personnel continues to be an issue and difficult to plan for. Organisational governance needs appropriately authorised and empowered staff with the right attitude. That said, nearly half of our respondents were confident about the morale and well-being of their employees as work-sites reopen.

4) Operating models

There was a very strong perception that the crisis management of organisations was effective during the crisis (96.6% of our respondents). However, crisis management has generally not been set up to manage long-term crises. Where our respondents felt crisis management approaches could still do better related to aspects of people management, organisational change and supporting business issues such as in forecasting demand.

A significant proportion of organisations (41.7%) plan to make changes to their supply chains. An interruption to a supply chain can cause an array of problems – from loss of revenue and reputational damage, to breach of contract, loss of market share and damage to stock price. Before the pandemic struck, the rise of nationalism and increasingly

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The Changing Workplace – Risks and Opportunities in a Post(ish) Covid-19 World

Employers expect that the proportion of people working from home on a regular basis once the coronavirus crisis is over will increase to 37% compared with 18% before the pandemic, according to a survey undertaken by the Chartered Institute of Personnel and Development (CIPD).

Airmic's pulse survey reflects these statistics, with 96% of respondents considering a reconfiguration of the workplace and over 60% considering remote working as a permanent option.

As a result, risk professionals should be looking to build on the collaboration they have enjoyed with their People & Talent (HR) teams in implementing their crisis and recovery plans, and recognise that whilst this shift will bring challenges (think home/workplace assessments, increased cyber risk and mental well-being), it will also create opportunities.

By creating an environment where flexible home-working is the norm, employees can loosen the mental chains and trust their teams to deliver without constant supervision. They will also need to recognise that not everybody starts at 8 and finishes at 6, and acknowledge the benefits of a lunchtime (dog) walk, an afternoon swim, late starts for some and early finishes for others.

There will be challenges, but as we have all learnt during the past months, flexibility, collaboration and good communications can overcome most if not all of these, and by trusting our colleagues to do what they do best in the best way for them, we may yet see a more positive outcome than feels likely right now.

David Lanfranchi, Risk Manager, CSM Sport and Entertainment
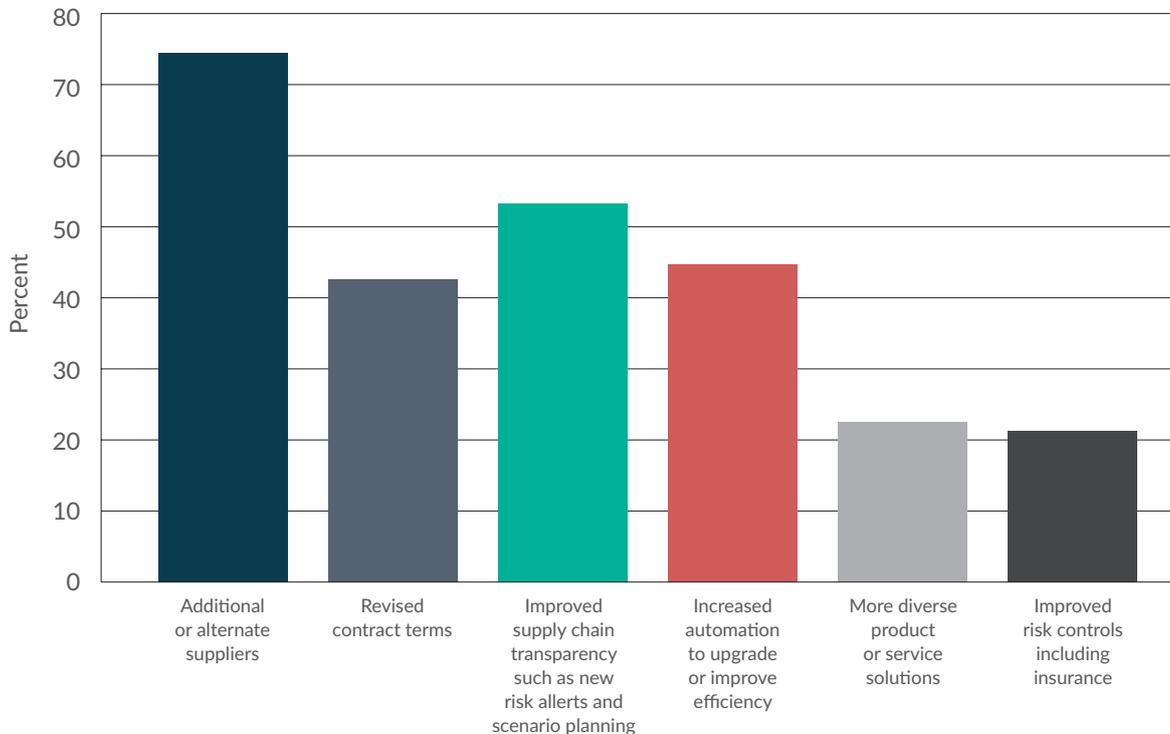
FIGURE 4: Changes planned to the supply chain post Covid-19
Source: Airmic pandemic pulse survey of members August 2020

protectionist policies were already threatening to roll back free trade and, with it, global supply networks and cross-border relationships. Planned changes to supply chains are provided in Figure 4.

A volatile and more extreme climate had already been highlighting the volume of stock and supply routes that reside in areas exposed to natural disasters.

The pandemic has had the effect of accentuating the increasingly interconnected nature of risks today. Globalisation has intensified exchanges and travel between different corners of the world, which has then provided the context for the rapid spread of the impact of Covid-19 beyond just the immediate public health threat.

The crisis has led to a reduction in innovation and research and development for the longer term in order to cope with the short term. Developing future operating models therefore emerges as the next challenge.

Improvements in the following areas are also needed:
 a. Timely and consistent information between strategic decision-makers and national business continuity leads
 b. Alignment of risk intelligence and strategic direction
 c. BCP's consideration of the impact of the external challenges outside of immediate control
 d. The assessment and management of complex interdependencies.

03

CHALLENGES HAVE BEEN AMPLIFIED DURING THE COVID CRISIS
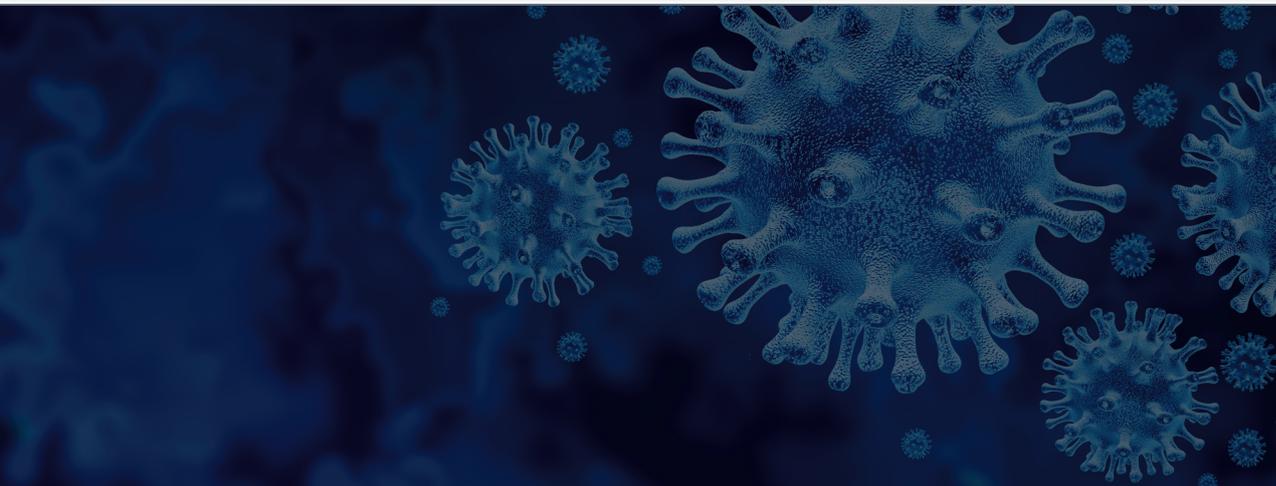
The pandemic will modify management practice

Based on the feedback from the survey and discussions with professionals across a number of sectors, it's apparent that the pandemic has modified crisis and business continuity thinking.

Dealing with long-term, rising-tide crises such as pandemics is not something that current organisational resilience has been set up to manage.

Based on industry feedback, it is also becoming clear that organisations are actively reviewing and changing their strategic approach to resilience. Outlined below are three of the common themes: improve crisis leadership; focus on developing people resilience; and source better-quality risk intelligence.

Top management and risk professionals will need to be comfortable dealing with uncertainty, allowing them to better identify opportunities and threats, and rise to the occasion.
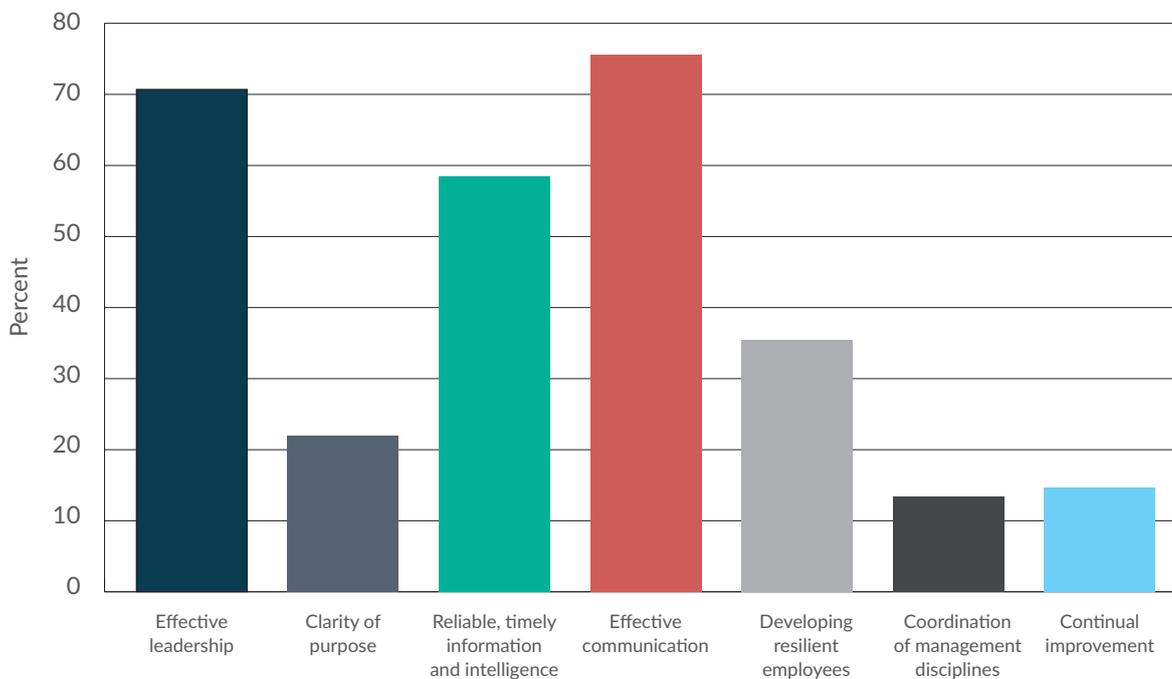

FIGURE 5: Resilience principles most highly valued during the pandemic

Source: Airmic pandemic pulse survey of members August 2020

Figure 6: The criticality of the future role of the risk professional in crisis management

Source: Airmic pandemic pulse survey of members August 2020
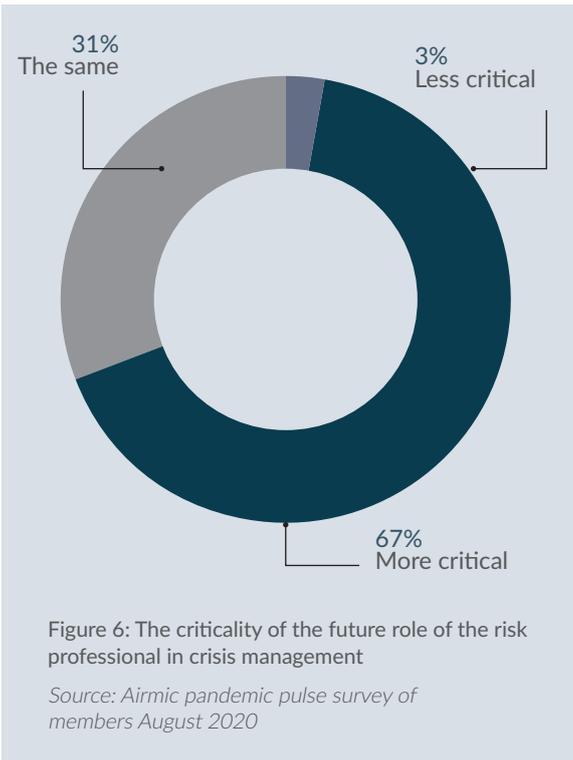
There should be an increased focus on a crisis decision-making process to ensure that 'big' strategic decisions are the outcome of a healthy and well-informed debate and challenge, supported by data, and not the result of knee-jerk emotional responses.

We see a real opportunity for risk professionals to add value in strategic decision-making in the new normal. For example, some businesses have been working with leadership teams to conduct 'red team' challenge sessions on strategic decisions related to Covid-19 business resumption (see Figure 7).

Red teaming refers to applying independent structured critical thinking and culturally sensitised alternative thinking from a variety of perspectives. It uses structured tools and techniques to help us ask better questions, challenge explicit and implicit assumptions, expose information we might otherwise have missed, and develop alternatives we might not have realised existed in order to improve understanding and result in "better decisions, and a level of protection from the unseen biases and tendencies inherent in all of us" (Faegre Drinker: From Anticipation to Action: 2020).

Identity objectives	Identity key drivers	Define assumptions	Define measures/ prioritize	Assign responsibilities
Identity objectives in focal areas (sales target...)	Key/prioritized/ alternative drivers to affect the objectives	Underlying assumptions of key drivers to be effective	Find and prioritize actions to cope with changing assumptions	Define clear responsibilities for measures

Diagnose, Create, Challenge

RED TEAM

Challenge objectives and completeness of objectives depending on the focal points	Challenge the key drivers in the future and find the drivers that have the most affect on the future	Challenge assumptions and discuss implications - revisit future key drivers	Challenge the effect of measurements taken and the impact of measures on objectives/key drivers/assumptions	Challenge the responsibilities connected with the measures

Figure 7: Red teaming framework

Source: Control Risks: COVID in flight reviews: www.controlrisks.com/-/media/corporate/files/coronavirus/2020-04-30-covid-19-global-brochure.pdf

Organisations need to develop and protect human resilience

Protecting people has been at the heart of the pandemic response. Going forward, people need to continue to be at the centre of organisational resilience.

Employees' ability to deal with the stresses and uncertainties of life with Covid-19 will be intimately linked to organisational performance. Employees forced to leave the business for an extended period are less likely to return, so developing and communicating assistance plans ahead of time is critical. Organisations that aid affected employees will likely find their staff return much sooner.

Finally, does whatever happens next require a modified or a different set of competencies to navigate this? Top management have typically been slow to include risk professionals in strategic business planning. Do risk professionals need to improve their skills in other areas of resilience including communication, finance, project management, business performance improvement and supply chain management? At Airmic, we believe that the answer is yes, but that the Airmic response as part of the learning and development and technical agendas should reflect the different member needs and the level of maturity of these.

Quality risk intelligence and data is no longer a 'nice to have'

Organisations tend to focus on threats associated with the business environment, where materiality is clearest due to shifts in customer demand and the competitive landscape, and where they have more control over their choice of direction.

Decisions taken by an organisation to achieve capital efficiencies can change the profile and shape of risks. Post pandemic, manufacturing plants consolidated into fewer, larger locations and a reduction of suppliers within supply chains could collectively impact the business model. Changes may intensify location and supplier risk severity profiles and amplify risk aggregation through the connected effects of change. This will in turn impact business continuity and crisis management plans, which should be adjusted after running new scenarios, integrating holistic threat monitoring and event triggers, and modifying the level of readiness and agility required to respond.

In practice, although a robust discussion of principal risks would also likely capture high-impact/low-probability risks such as a pandemic, few organisations currently have a formal process for identifying these risks or can specify how they apply this in practice.

While the approach for these risks should be analytical, it should also be creative and pragmatic, reflecting the complexity of uncertainties to secure

buy-in and actionable results. Often there are no 'right' answers. Assessing probability is notoriously challenging for these risks and creating angst over doing this can act as a distraction.

Airmic members report that risk conversations often take place in silos and that the integration of output and actions could be improved. Scenarios are a good way of making emerging risks tangible, with a view to delineating or calculating the immediate and longer-term impacts on strategic, tactical and operational targets. They can capture attention, initiating discussion about mitigation measures. Facilitators should be unafraid to have the assumptions of the business challenged, creating space to 'think the unthinkable' and 'speak the unspeakable'. This can help surface and resolve conflicts between commercial ambitions and corporate risk appetite.

The art of building an effective risk intelligent and resilient organisation starts with a recognition that having too much information can lead to confusion and delays in decision-making.

In the experience of Control Risks, businesses are better off identifying a small number of major threats and, for each of these, defining a clear scenario, leading indicator and risk triggers for escalating the threat to decision-makers.

Thinking scenarios through ahead of time using tools such as horizon scanning and scenario analysis is great preparation for dealing with unexpected threats when they do emerge and is another key area where risk and resilience professionals can add value to crisis decisions, linking strategy and operations.

Risks need to be underpinned by an effective real-time risk radar which flags issues to decision-makers once key triggers are breached. Likewise, once triggered, information and updates must be shared with relevant stakeholders on a regular basis. These communications will need to be systematically co-ordinated, follow an easy-to-use but consistent protocol, and integrate with Business Continuity Management and Crisis Management testing, rehearsals and training.

"The ability to cope with uncertainty and keep pursuing your mission will be the difference between success and failure".

Michele Wucker: Why managing uncertainty is a key leadership skill: June 2020

https://www.strategy-business.com/blog/Why-managing-uncertainty-is-a-key-leadership-skill

05 What next? What now?

There is a host of risks that are visible and predictable and that businesses subconsciously choose to ignore. Big problems, such as impacts from a pandemic, are often neglected until it is too late. Based on discussions with Airmic members, there is a tendency for organisations to manage risk in business silos and for senior leaders to play down high-impact/low-probability risks until they are on the risk register. Most resource assigned to managing risk continues to be focused on near-time, downside risks, rather than risks further out on the horizon.

As the complexity of the world continues to increase, the pace of change heats up, further spikes of the pandemic potentially occur and recovery collides with further crises, these risks cannot be a strategic afterthought as we return to whatever 'normal' might look like.

The frequency of risk assessment, analysis and response should be a function of how fast risks are changing and the level of their materiality, rather than be determined by traditional institutional administrative cycles. The dynamics of crisis management are different, and a crisis may overtake an organisation before the risks have been fully understood and the response options properly calibrated.

Risk professionals can have a role to ensure that strategy, tactics and operations are fully synchronised and mindful of unanticipated eventualities. Organisations must move faster, drive innovation, and adapt to and shape their changing pandemic and post-pandemic environment. The key to successful agility is for risk professionals to develop new mindsets, for their competencies to move at the same pace and for them to operate as part of an integrated and collaborative team.

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