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BUSINESS AS UNUSUAL: PUTTING CRITICAL RISK ISSUES IN CONTEXT

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BUSINESS AS UNUSUAL: PUTTING CRITICAL RISK ISSUES IN CONTEXT

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James Green is director of risk advisory services at SAI Global. He is passionate about life safety and helps the C-suite understand the importance of business continuity, not just during an emergency, but as an integral part of day-to-day operations. He has worked on risk events that have occurred all over the globe, including civil unrest in Egypt during the Arab Spring, executive travel and protection in the Pacific Rim, and the effects of destructive tornadoes in Oklahoma.

R&C: Recent disruptions have substantially impacted small enterprises through to global corporations. To what extent do these events demonstrate how fragile global infrastructures and supply chains can be?

Green: We began talking about COVID-19 in late January 2020 as a supply chain issue first and foremost. While it eventually became a pandemic and business continuity issue, initially it was a supply chain issue. What we are really seeing for the fragility of infrastructure is – and companies are finding this out in a very hard way – you can outsource the process, but you cannot outsource the risk. What that means in a supply chain context is if you rely on a vendor for a good or service to finalise the good or service that you provide to a customer, and something upstream falls down, you have to go to your customer and tell them that you cannot deliver what you promised. The customer is not going to care why. They are not going to care if it was one level up in your supply chain or two or three or four. What they know is that you failed them. Companies need to be mindful as they more tightly integrate supply chains and as they move to more diverse pools of vendors, they must stay on top of what the impact of those vendors will be on their business if they have a disruption.

R&C: In broad terms, what steps have companies quickly taken to operationalise their rapid response to the coronavirus (COVID-19) health crisis and the resulting economic downturn?

Green: There have been a number of positives over the last few months. The whole world moved to working from home, driven by necessity. At one point in March, over 4 billion people on the planet were under some type of shelter in place order. That number is hard to fathom. And what we have seen is that many companies have realised they could work from home, particularly when it comes to back office functions. Retailers and manufacturers certainly cannot, but you are seeing some companies that are interesting that are really learning to adapt. Look for example at food service. Restaurants all over the world for the first time shifted to carry-out or delivery only. More sophisticated restaurants went to a smaller menu using food items that have a longer life and asked the government for dispensation to deliver alcohol. How many commercials are we seeing now about 'contactless' delivery? You had not even heard that term in February. Industries that can adapt like that have really had a very rapid response, have been very creative and have not only kept their market share, but in some instances, have grown it.

R&C: Could you provide insight into how companies should be preparing for a return to work?

Green: The way people should be preparing for a return to work is by not expecting to return to the work that they knew in February. Organisations need to chart a new path because their employees are going to expect it and demand it, and so are their customers. There are a lot of industries that are not going to be able to return to work as normal. Consider, for example, the ancillary risk of bringing back a sports team of 20 people but there are 75 people who need to support that team: are you really bringing back 100 people? And what are you doing for those 100 people and their families? That quickly becomes 500 people. The airline industry, the hotel industry, cruise ships; things are not going to go back to where they were just because government restrictions are lifted. The first thing to consider is: how is an organisation monitoring what jurisdictions are open? If you have a global company or even a company that is present across an entire country, there are multiple jurisdictions at play. In certain states in the US, such as Florida, various cities, counties and the state have all published conflicting government stay at home orders. How would an organisation know legally what jurisdictions to follow? From an ethical standpoint, there are a lot of interesting questions. Say, for example, you have two locations in a country

of similar size, similar demographics and with similar COVID-19 infection and mortality rates. If one jurisdiction lifts its government restrictions and the other does not, what do you do as an employer? Are you going to send people to one and not the other? What happens if employees are sick? We have seen some companies have their employees sign general liability release forms. Especially in the US, you cannot sign away negligence, which we expect to see in some cases and then ethically, is this even the right thing to do? Regarding taking temperatures, if you take an employee's temperature, in most jurisdictions that is immediately considered protected health information (PHI). PHI is a form of personally identifiable information (PII). As soon as you take an employee's temperature you are now under every privacy regulation and law that applies in that jurisdiction. What are you doing with that information? Are you writing it down? It now must be stored properly. Are you turning people away? Are you deciding to test everyone? What happens if people decline a test? If you are in the US, this falls under the Americans with Disabilities Act because just taking an employee's temperature is considered a medical procedure. So now there are four or five medical laws that you fall under. So how do you manage all of these considerations across multiple jurisdictions? You must have consistent policies so that you can show you are not discriminating, and you must make sure those policies apply with every applicable law. A lot of companies have realised

they are more effective than they thought they would be working from home. If your productivity is high, what is the hurry to return to the office or workplace? After every pandemic when people start moving around, there is always at the very least a spike in transmission and cases and in some instances, a second wave. The 1918 Spanish Flu in the US had three waves. Imagine everything that we have gone through up to this point and do it two more times. Once government restrictions start to get lifted, you want to assess: are we productive at home, and if we are not, do we need to bring everyone back on day one?

R&C: In these testing times, how would you describe the level of available resources and executive buy-in that business continuity and risk management professionals are working with?

Green: This is a unique moment in time where executive buy-in is globally higher right now than it ever has been in my lifetime. But that 15 minutes of fame is going to quickly expire, so business continuity and risk management professionals will not be able to use that spotlight to mitigate risk and help their companies achieve resilience. Arguably, now is the time to create plans that are actionable

and turn those plans into programmes that will sustain and grow when a few months down the road management has moved on to something else. Working with the business, understanding management's pain points is how you turn a

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sophisticated plan into a programme and how you keep that spotlight on your risk management programme.

R&C: How important is it for companies to focus on effective crisis management, with real-time tracking and reports?

Green: Most often what we see is crisis management based on risk management, and risk management is usually focused on the last known risk. We love to mitigate the last known risk. We build plans and documents based on what just happened,

but this is not the same as building resilience. This is not the same as using sophisticated tools and reporting to focus on resilience. Resilience allows you to prepare for the unknown. Sophisticated reporting and tools allow you to prepare for the unknown. And there is always an unknown. We were not talking about a COVID-19 pandemic four months ago. Now everyone is going to be prepared for a pandemic, right up until the next thing happens. There was a cyclone in India and Bangladesh in mid-May and two million people were evacuated over three days. The Australian wildfires in January, the 2008 recession; there is always another unknown that people are not prepared for because we are always looking backward when we should be looking forward. That is where sophisticated reporting and data mining help a company look forward. I can always tell you what did happen, but effective crisis management is knowing what is going to happen and real-time tracking and reporting is vital during that event. Think about the first week and a half of COVID-19 when your company was sending everyone home and you were trying to get information in real time on health hazard, school closures, government closures and so on. Your crisis management team must have real-time data across your entire global organisation in order to make effective decisions. You cannot do that manually.

R&C: What considerations do companies need to make when communicating with

important stakeholders, both internal and external? How can they demonstrate that they are addressing problems with clear planning?

Green: The first consideration organisations need to make in crisis communications is that employees are your key stakeholders. Your employees have a higher vested interest in you than anyone, more so than customers, shareholders or other stakeholders. Companies need to talk to their employees first. With that said, you need to be mindful of one thing: everything you say internally will get out.

R&C: What advice would you offer to companies on protecting their most important assets: people, information, cash flow and reputation?

Green: Organisations need to be mindful of the impact on employee perception in this moment and whatever you do that will impact your employees. Just like your employees, your customers will remember what you were doing and saying right now. We are seeing brand reputations permanently changing, both positively and negatively. Some companies have done some phenomenal work to lead the response and be culturally sensitive. Others have not. It will take a very long time to get that erosion of brand back. Reputation is paramount.

R&C: How is the COVID-19 pandemic forcing companies to accept change and think about their future? Do you believe it will lead to greater adoption of digital transformation and innovation?

Green: The companies that want to survive must adapt. This is not a typical crisis where you can manage through it for a day or a week and then get back to normal. We are seeing companies make fantastic or amazing statements. Brussels Airlines, a subsidiary of Lufthansa, said it does not expect to be back to normal until 2023. Delta Airlines' chief financial officer said the company needs to permanently shift its business model. Nationwide insurance in the US – bearing in mind insurance companies are typically a very conservative industry – has been so impressed with work from home it is selling all its properties in four US states and will switch to a permanent work from home model. Companies like Twitter have told employees to come back to their offices when they are ready. We expect a lot of companies to switch permanently to working from home because from a business continuity standpoint, it diversifies the concentration of employees and you no longer have facility-based risk. It also enables companies to cast a wider net when hiring. On the other hand, working from home increases cyber security and privacy risks. To that end, companies are transferring risk, not mitigating it. Companies need to be thinking that with a disruption of this type, there are going to be long-term or permanent changes. And so again, companies that are just thinking they are going to go back to where they were in February are going to be mistaken. R&C