



Risk Management

Set in the context of
emergency preparedness

The talk objectives



- ⌘ The risk management and emergency preparation partnership
- ⌘ holding down C21st stakeholder's continuity expectations
- ⌘ share myths, realities and opportunities

"A risk"



- ⌘ a risk is the threat that an event or action will adversely affect an organisation's ability to **maximise stakeholder value** and to achieve **business objectives**
- ⌘ risk arises as much from the possibility that **opportunities** will not be realised as it does from the possibility that threat will materialise or that mistakes will be made.
- ⌘ a risk however is **integral to all opportunity** and is as much about opportunity as it is about threat.

The hollow company



⌘ The ingredients?

- ☑ Brands and stakeholder confidence
- ☑ other intellectual assets
- ☑ value chain dependencies - human, skills, facilities, logistics
- ☑ legality and compliance
- ☑ ability to retain control
- ☑ ability to deliver expected quality, consistency, volume, and immediacy

Stakeholder risk



- ⌘ Employees “Value chain” suppliers
- ⌘ Customers “ Value chain” distributors
- ⌘ Regulators Media
- ⌘ Private investors Rating agencies
- ⌘ Quoted investors Investor advisors
- ⌘ Bankers/financiers The environment
- ⌘ Current Competitors Potential competitors

Core messages



⌘ New business model dependencies

- ☑ Huge power and size
- ☑ much less power to micro-manage
- ☑ new stakeholder power
- ☑ tight speed and cost margins
- ☑ however large and multinational; much more likely to be at risk of total failure

Catastrophic impact?



- ⌘ loss of regulatory or licence approval
- ⌘ service delivery fails for critical period
- ⌘ loss of effective business or financial controls
- ⌘ loss of confidence in brand name
- ⌘ losses: Capital; revenues, targets, cash flows, profits, gearing
- ⌘ destruction of business model itself
- ⌘ credit rating fall one full level or more
- ⌘ unacceptable risk of life

Risk management



“A little risk management saves a lot of fan cleaning.”

- ⌘ Non-cat risk accountancy
- ⌘ the special challenges of potentially catastrophic risk
- ⌘ balancing risk and frequency
- ⌘ risk tolerance

Risk tolerance



⌘ Life is but a journey to the grave not to be undertaken with the intention of arriving safely in one pretty and well preserved piece; but to skid across the finish line, broadside on, thoroughly used up, worn out, leaking oil, and shouting: GERONIMO!

⌘ *The risk reward balancing act*

Risk manager's toolbox



- reduce the risk to acceptable levels
- reduce the impact to acceptable levels
- transfer the risk and/or impact
- prepare to finance losses
- establish resources and abilities for contingency response
- ***or most likely*** a combination of the above...

Risk Management Matrix

PROBABILITY	5			Risk 13	
	4	Risk 10	Risk 3		Risk 7;8
	3			<i>Risk 1, 5;2</i>	
	2	Risk 11.	Risk 4	Risk 6; 9; 12	
	1				
	1	2	3	4	
	SEVERITY				

Risk partners



- ⌘ compliance managers
- ⌘ operational managers
- ⌘ auditors
- ⌘ insurers
- ⌘ FM managers
- ⌘ security managers
- ⌘ stakeholders
- ⌘ supply chain managers
- ⌘ health and safety managers
- ⌘ audit committee
- ⌘ financial controllers
- ⌘ account managers
- ⌘ design engineers
- ⌘ delivery chain
- ⌘ purchasing managers
- ⌘ emergency planners

The emergency planner a risk view



- ⌘ No value if organisation has already died
- ⌘ *I.e. if tools, assets, people, information are dead, or inaccessible fast enough.*
- ⌘ Response teams useful *if* given half a chance.
- ⌘ Manages the remaining impact after risk management has done its best

Common denominator 1 failed scenario planning



- ⌘ St Mary Axe Bomb
- ⌘ Hurricane Katrina
- ⌘ Sub prime loans
- ⌘ House prices
- ⌘ Tsunami
- ⌘ World Trade Center 2001
- ⌘ Buncefield Oil Storage Depot UK
- ⌘ Chernobyl, Belarus
- ⌘ Piper Alpha, North Sea
- ⌘ Auckland Power failure
- ⌘ Iraq war
- ⌘ UK flash floods 2007
- ⌘ Afghanistan today
- ⌘ etc. etc. etc etc.

Governance controls



- ⌘ Not only Monetary limits plus impact or change to:
 - ⊞ Branding or reputation
 - ⊞ legality, governance, insurance, health and safety
 - ⊞ new territory or new product or service
 - ⊞ impact another division
 - ⊞ the confidence of employees and other stakeholders
 - ⊞ attract significant or negative media interest
 - ⊞ significantly changes the financial gearing of the division
 - ⊞ that could change the risk or continuity profile

Dependencies - a snapshot



- ⌘ Intellectual assets
- ⌘ people and people management
- ⌘ control and direction
- ⌘ communication
- ⌘ brand and trust
- ⌘ legality
- ⌘ inability to deliver the bacon

Risk Assessment V Business Impact Assessment?



- ⌘ Common objective is to understand both risk and impact
- ⌘ Factors of potentially catastrophic risk:
 - ☑ Less concern about frequency
 - ☑ MTO and MSL
 - ☑ Assessing abilities as well as assets
 - ☑ Feeder into the contingency planning

Intellectual assets



- ⌘ Brand values
 - ⌘ softwares
 - ⌘ employee skills
 - ⌘ paper files
 - ⌘ legality
 - ⌘ research
 - ⌘ market position
 - ⌘ wide stakeholder confidence
 - databases
 - employee intellect
 - licenses
 - regulatory approvals
 - domain names
 - patents
 - competitor gap
- ⌘ Many owned by third parties and rented!**

Legality



- ⌘ Regulators demand continuing control
 - ☑ normally
 - ☑ ***during a crisis too***
 - ☑ audit trail a crucial dependency
- ⌘ wide legality requirements from products to people to environment
- ⌘ political risk
- ⌘ trading licences
- ⌘ supplier/delivery chain contract demands
 - The fastest way to die?

Myths and realities



- ⌘ The insurances
- ⌘ the lawyer
- ⌘ due diligence
- ⌘ MPL
- ⌘ scale
- ⌘ supplier support

Skills and tools



- ⌘ Emergency succession planning
- ⌘ bomb threat
- ⌘ kidnap and ransom
- ⌘ wide area disaster
- ⌘ major fraud and crime
- ⌘ product recall
- ⌘ media and brand attack
- ⌘ death of colleague

Risk managing the recovery plan



'If it looks like a duck, walks like a duck and quacks like a duck, it probably is a duck.'

- ⌘ Agendas and horizons understood
- ⌘ Who owns it? Who has driven it? FM/Strategy?
- ⌘ Best endeavours or positioned?
- ⌘ risk managing the contingency supplier
- ⌘ exercising the response, risk decision making or both?



Constraints



- ⌘ Denial of access
- ⌘ inter-stakeholder conflicts
- ⌘ let's re-engineer!
- ⌘ media role
- ⌘ environmental constraints
- ⌘ tendering and machinery lead times
- ⌘ headless chickens

Risk managing the supply chain



- ⌘ So much more than logistics
- ⌘ relationship management is massive risk issue
- ⌘ BIA input is one due diligence enquiry
- ⌘ catastrophe SLA?
- ⌘ country's infrastructure
- ⌘ communications
- ⌘ the supplier's supplier

An risk management opportunity as well as a risk.

Handed over?



- ⌘ Database and other intellectual assets?
- ⌘ Brand?
- ⌘ People?
- ⌘ Software?
- ⌘ Hardware?
- ⌘ Communications? Macro and micro?
- ⌘ Legality and compliance?
- ⌘ Skills?
- ⌘ workstations and factory machinery?

Delivery risk



- ⌘ The supplier as an urgent critical deliverer
- ⌘ the supplier as a stakeholder
- ⌘ the supplier in crisis - value of lawyers?
- ⌘ the principal in crisis - supplier reaction?
- ⌘ workforce control and diversion

Exit strategy



- ⌘ Suppliers and client responsibilities during exit
- ⌘ interim services and timetables
- ⌘ knowledge transfer and employee implications
- ⌘ technical advice
- ⌘ legal ownership and access to intellectual assets including softwares, audit trails, source codes, records, licences, databases and other.
- ⌘ third part agreements
- ⌘ removal of supplier/customer property and vacation of premises
- ⌘ security
- ⌘ Data Protection Act registration and other compliance requirements

Preparing for supplier failure



- ⌘ Special challenges of trust and risk tolerances
- ⌘ creeping failures and exit plans
- ⌘ SLA for failure?
- ⌘ whom do their plans protect?
- ⌘ contractual constraints?
- ⌘ diverting staff to new urgencies?
- ⌘ legal and operational access to data

Exercise the supply chain



⌘ Who is being exercised?

us?

them?

both?

in a real incident; who is more important to the supplier?

Survival risk basics



- ⌘ Speed of response
- ⌘ All foundations stones accessible fast enough
- ⌘ communications and heads on the chickens
- ⌘ intellectual assets
- ⌘ value chain options; fast enough for stakeholders
- ⌘ legality
- ⌘ stakeholder support
- ⌘ Immediate wide-field confidence

21st century Continuity challenge



- ⌘ Strategic risk decisions in the board room
- ⌘ a core business, not a facilities, matter
- ⌘ survival bang for buck is best from effective risk management
- ⌘ only then;
- ⌘ emergency response structure and resources

Time up!

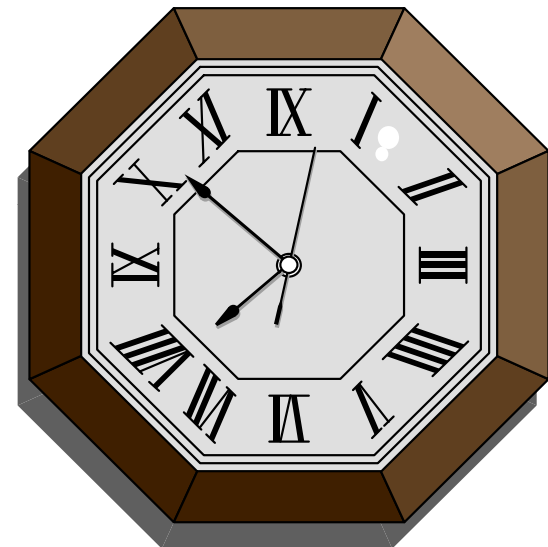
David Kaye

FCII FBCI FRSA MIRM

*Springfields,
Down Hatherley
Gloucestershire
GL2 9PY
UK*

+44 (0)1452 730117

*103 Golden View
Sunset Crest
Barbados
+1 246 4327930
ext. 103*



*davidjkaye@aol.com
www.riskreality.co.uk*