



James E. Blair, President

May 2020

Dear Colleague

It's The First of May
Risk Management is Imperative Today!

Sadly, we are witness to the Worst of Risk Management and some of the Best. Our March Advisory reported on the global risks of the COVID-19 virus that were identified at the World Economic Forum in January. At the time of that Advisory European countries were experiencing the devastating impact of the virus on people and economies. Please remember the trusted 3 “Rs” of Recognize, Respond and Recover. Here is the lesson we are living today - not only did the American CEO (along with others) ignore Recognizing the virus, but also openly disbelieved its devastating impact. The country’s entire Response system was kept in “park” for 6 weeks and the Recovery will take what seems like forever. Better Response has been demonstrated by the states of Utah and California – only to be frustrated by Federal confusion.

Indeed, Risk Management is now mentioned in virtually every meeting and business interaction. A key driver is that no one has the answers about what happens next – Scenario Planning is absent. The coronavirus is silent – we can’t see it, touch it, hear or smell it. It gives no warning and a perfectly healthy human may be infected tomorrow. As you face the daunting task of reopening your business how do you do it with the confidence of your employees, your customers and your suppliers? The CDC produces reams of guidelines which are Risk Mitigation plans based upon the best knowledge available (which can change tomorrow). So, we are all Risk Managers with newly minted guidance daily. Stay tuned – We Will Reopen!

Some Thoughts for Business Reentry

1. The Communications Plan was historically the number 6 item in the Business Interruption Plan (BIP). It is now number 1! More important than equipment upgrades, building cleaning, seating arrangements, screening and social distancing is convincing yourself, the board, and your team that re-opening is a good idea and that you are Prepared. Communications with all stakeholders, i.e., employees, managers, customers, suppliers, support staff and board members is more imperative than ever. The messaging must instill confidence that your team has done everything possible to ensure the safety of anyone in the business constellation.
2. All workers invited back to the workplace truly become the Risk Awareness team watching out for the environment, cleanliness, and each other. New protocols are in order, i.e., self-assessments at the beginning of each shift, temperature checking, face coverings, clean hands, gloves, 6 foot distancing, staggered work shifts, limited small room meetings (including elevators), travel conditions and more. Each of us bears a new responsibility for our own well-being, along with everyone else’s (keep in mind the “Duty of Care” requirements).
3. Leadership must adopt a new “Healthy First” creed. We recommend that employees answer the following questions before they enter the workplace.



Thoughtful questions for employees: In the past 24 hours,

- a. Have you traveled outside the local area?
- b. Have you associated with others who may have been exposed to the virus?
- c. Are you symptomatic – Sore throat, fever, cough, runny nose, head or body aches, trouble breathing, nausea-vomiting-diarrhea, loss of taste or smell?
- d. Have you tested positive for the virus?
- e. Has someone you know tested positive for the virus?

If these “honor system” questions generate concern, employees should not enter the workplace and absence management protocols should accommodate a decision not to work versus forcing the issue. Examine every option to enable a “work-remote” culture. BTW, this is a time to reexamine just how much office space you really need. People have been quite resilient and productive working remotely.

4. Turn up the heat on cyber security practices and training. The internet provides a remarkable gift of productivity anytime and from anywhere. The bad guys are aware and ready to pounce on any new opportunity to disrupt and steal money, identity or data. Remote working opens the number of potentially unprotected computers and your team members must take additional precautions to avoid phishing initiatives and malicious emails. User beware! BTW – average Ransomware payments soared to \$111,605 in the 1st Qtr. 2020, and Cyber Crime is now the 3rd largest economy in the world at about \$6 trillion.
5. Assure that your Risk Governance team is active and engaged with the everyday situations that arise. Agile response to changing conditions, employee health and Public Health Dept. guidelines will test the best in the Governance team. Remember that Risk Management is a team sport.

Business Resilience

The guidance provided in this Advisory is a beginning that supports the good work of your teams. A commitment to early and often communications that is employee, customer and stakeholder-centric will buy a great deal. Public health experts offer tips for employers and employees in the following:

Employers; <https://www.cdc.gov/coronavirus/2019-ncov/downloads/critical-workers-implementing-safety-practices.pdf>

Employees; https://www.uschamber.com/sites/default/files/coronavirus_workplace_tips_for_employees_031620.pdf

As you focus on daily operations, also look forward to reconstituting your business for the long run. This is the heart of *Integrated Risk Management Solutions, LLC*. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business



Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a “Risk Awareness” culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:
 - Safety
 - Security
 - Information Security
 - Health & Wellness
 - Absence*
 - Theft
 - Fraud Prevention
 - Revenue Inefficiency
 - Audit
 - Compliance
 - Investigations
 - Settlements
 - Claims
 - Insurance
 - Crisis Management
 - Emergency Response
- * Incidental absence can increase the costs of employee health and wellness programs by 2X.
- Risk costs are in multiple silos hiding the “Total Cost of Risk” and measurable ROI.
- 75% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- Companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company more nimbly respond to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are “the source” of risk – **Operations Assurance is the key!**
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2020 Global Risks Defined by:

World Economic Forum

- Extreme weather
- Climate action failure
- Natural disasters
- Bio-diversity – loss of ecosystem
- Man-made environment disasters
- Cyber attacks
- Global governance failure
- Interstate conflict
- Information infrastructure breakdown
- Fiscal crises

Executive Opinion Survey*

- Fiscal crises
- Cyber attacks
- Unemployment/under employment
- Energy price shock
- Failure of national governance
- Profound social instability
- Data fraud or theft
- Interstate conflict
- Critical infrastructure failure
- Asset bubble
- * WEO Survey 2020

Manage Your Risks Well!

January 2020