Securing business continuity in times of crisis

Mastering Risks – Closing Gaps

Corona Crisis 2020 showed it very clearly: The identification of risks, the derivation of valid conclusions for danger prevention and the establishment of situationally scalable plans and feasible procedures for containing crises and combating emergencies is of utmost importance. But what is the situation in business?

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Business people often talk about risk. The overall impression is that those involved know their current key risks well and strive to quickly counter them. Still, clear and tangible goals are set too rarely. And far too seldom the success of counter measures is monitored vs. the efforts. Same about interdependencies with the corporate strategy. It's the know-how in understanding risk factors and the structured, company-wide unified processing and prioritization what separates the hard fighters from the smart winners from the start. Sometimes organizations get lost in execution, or results can be inexplicable or even misleading if the terms, tools, and procedures for successful risk management are missing.

Organizations employ risk management for many reasons not only for due diligence or driven by legal requirements. Industry- or sector-specific regulations exist for the finance business, for airlines, medical device manufacturers, clinic operators, for new product engineering and many more. And since 2015, even the ubiquitous standard of Quality Management ISO 9001 requires the so-called «risk-based approach». Nevertheless, most of the requirements provide no help for the implementation of risk related methods, nor precise criteria or supporting guidelines for the assessment and further handling of risks. Mostly it's just very general requirements plus regular recurring review by experts. Adequate implementation is the sole responsibility of each individual business.

RISK

…is the «impact of uncertainties on organizational or corporate goals, activities and requirements».

- *Recognized risks are comparable by applying uniform evaluation standards across the entire company.*
- *Each individual risk is manifested by the extent of its impact and its probability of occurrence.*

Stress may arise when, for example, regulators, investors, key customers, or auditors raise questions about how the organization deals with its risks. Or when they exert pressure and demand justification. The advantage here is with those who base their work on generally applicable guidelines, e.g., the international standard ISO 31000, the COSO framework, or the ONR 49000 series, and who apply a generally recognized risk management process (framework conditions, identification, analysis, evaluation, coping, etc.; see figure 1). These standards can be applied to a wide variety of organizations, to all decision-making situations and are formulated generally enough for all types of business processes.

To ensure organizational viability, the risk management focus is on core functions. It must correlate with the strategic development objectives and target the risks related to these key goals. Day-to-day business, on the other hand, also harbors a wide variety of disruptions and irregularities. These could easily exhaust the risk management systems capacity and generate lots of nonsensical bureaucracy, but hardly give any benefit. For day-to-day business, continuous improvement is the instrument of choice for process performance optimization. However, as soon as an indicator can endanger viability by exceeding defined limits and it stands out from ordinary day-to-day business due to its unusualness or frequency, such input must be recognized by the risk management.

Sometimes incorporation of individual company functions in a comprehensive risk management is difficult, especially if finding synergies is preferred over isolated approaches. The most coherent of all possible solutions would be to place risk management as the integrating management tool above all other relevant sub-areas, such as ICS (internal control system), QM (quality management), CM (compliance management), SRM (supplier risk management), SSM (safety and security management) and BCM (Business Continuity Management), etc. Unfortunately, such a «Total Risk Management» often fails in reality due to conflicting objectives and technical or methodological requirements or due to priority expectations of individual sectors. Advanced organizations that strive for an "Integrated Management System" should, however, seriously consider elevating the risk management system the top level of their IMS.

Corporate risks are reasonably viewed from two directions: with a top-down approach along the company hierarchy from management to functional areas and a with a bottom-up approach along the process chain, starting with the lowest sub-steps. By this, no individual risk gets unnoticed and all go into coordinated processing. On a regular basis the top management level has to review that the risks processed in the risk management system include the ones that are strategically relevant for the entity. That is to enable the organization making better use of its opportunities during its further development by strongly reducing the impact of adverse factors.

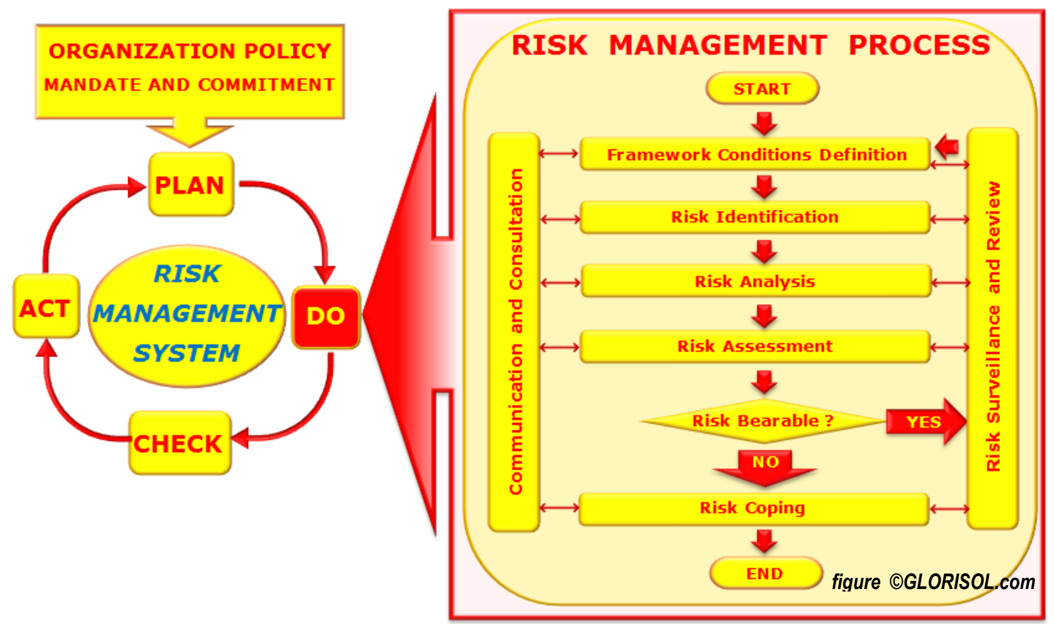

figure1: „from Risk Management Process to Risk Management System"

With emergency-, crisis- and continuity management as sub-segments of risk management, organizations can act more responsive to serious damages or events by utilizing prepared measures and regain control of interrupted operational functions in structured ways. For example by using a business impact analysis, particular operationally critical points in the organization are identified and direct relationships to the risk management process are established. Think about this: Your insurance can compensate for your damage - but your way back to normal you still have to find on your own. So why not develop multi-threat concepts as long as all your means are up?!

Companies that have successfully structured their risk management in meaningful ways thus have a useful tool for corporate management. They also gain more control over negative aspects' impact - so they have much more freedom to turn chances, competitive advantages and market momentum into profitability. That turns risk management to a factor of success and sustainable growth. Particularly in challenging times, e.g., in a large-scale pandemic situation, that may determine the difference between winners and losers in business.

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