

HOW TO BUILD ORGANISATIONAL RESILIENCE IN 2021

FOUR THINGS RISK MANAGERS CAN DO RIGHT NOW

BEN CROWTHER – Marsh

It's been a year of risk. Pandemic, bushfires, flood - all in extremely challenging [insurance market](#) conditions. While the pandemic will one day end, risk is here to stay, and risk managers need to change their approach on organisational resilience.

The [2021 Global Risks Report](#), published by the World Economic Forum in partnership with Marsh McLennan, reveals the top concerns business leaders are most concerned about when leading their organisations into the future.

So what do the responses from over 700 experts and decision-makers specifically mean for risk managers? Risk managers are in the driver's seat. Evidently, the risk conversation has changed. Risk is now informing every decision made. Organisations are looking to risk managers to help rethink short and long-term business strategies, and help build organisational resilience.

So where to start? We believe risk managers should focus on four key things:

1. The pandemic showed how risks such as infectious diseases bring more than just health threats – they disrupt supply chains.

You're only as resilient as your supply chain is. Risk managers need to consider what it truly means to be 'resilient'. If you're running at peak performance, but there's sudden disruption with your supplier, you might be soon hitting the breaks.

Think of COVID-19 at a time when demand for medical equipment outpaced supply. Risk managers can take inspiration from [Dr Nicole Townsend](#) who had the foresight to see that the pandemic was going to create shortages of essential items such as medical gowns. Heroically, she started making and distributing the garments across Victoria!

Look around you. Successful risk managers are those who anticipate risk outside of their own organisation. At Marsh, we've been helping clients understand where their customers and suppliers were located during the recent [La Niña](#) weather season, and whether any supplier was exposed to any flooding events.

2. Shifting from static risk assessments into probability-based insight.

The way in which to define, measure, and manage enterprise risk has evolved to a game of probability.

In our data-based insights article, we called out the need for data to help identify the probability of scenarios. On the back of this, actions can then create a clear path forward for each eventuality. So when data indicates a potential problem, your organisation's pre-planned decision can lead to swift action.

In the thick of COVID-19, organisations suddenly needed to make decisions on a response to a virus the world knew little about – there was no trusted data. Now organisations can identify, access, run and use data from models and even databases that may not exist in-house. Think about how data might work for you as a risk manager.

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3. The power of debriefing risk events – memories fade.

Amongst the chaos, do you ever take the chance to stop, pause and reflect on your decisions in the heat of the moment? Memories of what happened during the early stages of any big event and the context in which you had to make decisions fade quickly. Information and lessons learned may be lost.

As the saying goes, "Identical crises never happen twice", however, this makes it even more important to learn whether your workplace had the skills of adoption, invasion and tolerance for uncertainty.

Events like COVID-19 should not be perceived as a one-off event but rather an indicator of how well your organisation can respond to any test. Business Continuity Debrief workshops can help your business understand questions such as:

- Was there sufficient preparation?
- What level of planning did your organisation have in place before the event?
- Why was the specific level of planning in place?

Workshops can also help avoid costly impacts to your business interruption insurance. Have you, your suppliers' or customers' ways of working changed over the past year? These need to be documented to optimise your business continuity plan. If not, you might be subject to potential increases in business interruption insurance.

4. Avoiding a climate change business disaster with a risk lens

Know what climate change risk means for you, not just the world. Climate change is not just a social problem, it's a business one, with climate related costs only rising.

Start by mapping out what the variables are. For example, what does a single percentage change in temperature mean for your employees and business assets in the real world? For farmers, it might mean destroyed crops and decreased outputs of agriculture. Consider risks like a water and energy crisis.

Secondly, understand what the impacts of rising sea levels might be. Think about locations close to sea level or only accessible via roads close to sea level. For your workplace, distribution networks or suppliers, it might require a relocation. What might intense flooding mean for your business?

Physical assets like buildings close to rivers or areas prone to flooding will only become more vulnerable with climate change. Thirdly, consider the adaptation and intervention needed to avoid a climate change business disaster. Perhaps it's water and energy conservation and finding innovative alternatives to rain water storage.

As we observe changes in natural disaster activity and intensity, insurers are reacting by increasing premiums and enforcing stricter exclusions and lower limits. One step further, they're reducing capacity or withdrawal altogether from industries seen to be contributing significantly to climate change. Risk managers can't afford to sit and wait. Climate change is a 'here and now' business challenge.

Looking forward with confidence

Risk managers are in pole position as the world recovers from a global pandemic and responds to ongoing threats such as cyber-attacks and catastrophic climate change.

Now is the time to rise to the occasion and review your risk management strategies, so you can build resilience for what comes next.

Talk to us

If you would like to better understand how emerging risks might impact your business and how you can be prepared to respond, you can [contact us here](#).

For more insights, you can read [The Global Risks Report 2021](#), published by the World Economic Forum with support from Marsh McLennan.

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