Risk, Resilience and the Coronavirus

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This is not just another Coronavirus article that summarises what we already know…   In this article we are going to pragmatically work through how we can identify, analyse and mitigate the risks we face, and establish controls to allow us to respond, particularly if the situation in South Africa does worsen. We will also look at determining our organisation's appetite and tolerance to the various impacts of the risks.

One struggles to open a newspaper, or subscription email without some article updating us on the current status of the COVID-19 Coronavirus across the world. There are also many sources of information that summarise the virus and its current state, the World Health Organisation delivers regular press conferences and statistics are published daily by various centres for disease prevention and control. Based on other pandemics and viruses, the rates of infection, mortality rates and the geographic spread of infected cases has not been along predictable lines.

But how is this wealth of information able to help us to manage the risk of this global epidemic affecting our organisations? Until the 5th March, South Africa was one of 122 countries who had not yet reported any cases, and the measures that our Department of Health were taking included the quarantine of the repatriated South Africans from Wuhan, minimised our risk. On planes, in airports, in shopping centres and other public places, more and more people can be seen with masks, and we also hope that people are being particularly vigilant with washing hands and other hygiene measures. Being a few weeks behind countries with confirmed cases, South Africa was able to make it to 5th

Statistics as at 4 March, with changes in the last 24 hours
Globally: 93 090 confirmed (2223 new)
China:
- 80 422 confirmed (120 new)
- 2984 deaths (38 new)

Outside of China
- 12 668 confirmed (2103 new)
- 76 countries (4 new)
- 214 deaths (48 new)

Source – World Health Organisation COVID-19 Situation Report 44

March 2020 before the official confirmed case, in KZN, was announced by our Health Minister, so now we really need to be prepared in our organisations. We need to understand the risks we face, and what we can do to prepare for various eventualities and ensure our organisations can manage, recover and ensure resilience.

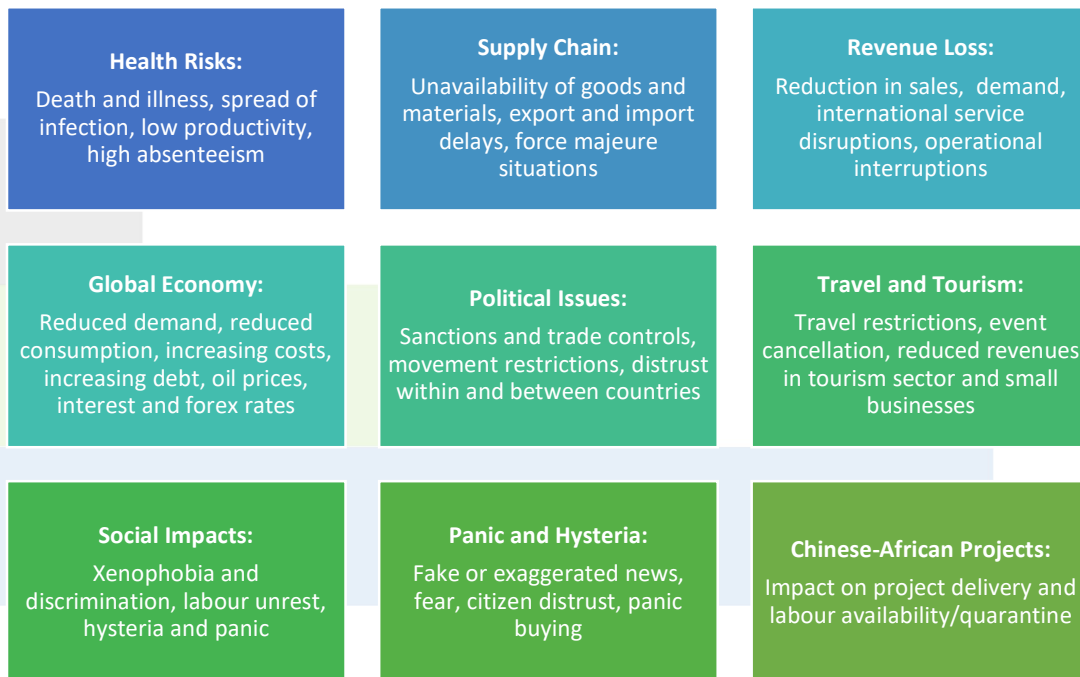**The COVID-19 Coronavirus Risk Assessment**

<div style="vertical-text">Context and Stakeholders</div>

Firstly, according to best practice risk management, we need to understand our organisational context - including stakeholders. We need to determine our relationship with China, or other countries with significant numbers of confirmed cases, like South Korea, Iran and Italy. We need to understand our organisation's fit in the global context and how this might may pose risks to international travel and international operations. We need to know how our suppliers and customers may also be impacted, and how this may impact us and cause supply chain disruptions. In terms of our employees, we need to ensure regular communication of accurate facts, what plans we have in place, and in all interactions, we need to ensure we do our best to minimise hysteria. We may also notice that responses from stakeholders who do not analyse their risk properly may be hysterical, illogical or counter intuitive, for example, not vising our favourite eatery in Cyrildene's China Town because of perception rather than fact. A comprehensive analysis of contexts and stakeholders is a critical foundation to identify the risks that our organisation may face, as many risks may be the product of or have implications on our context and stakeholders.

We then need to move on to considering the risks of the spread of the virus both globally, and now locally and what impact will this have on us as South Africans and to our organisations. Some risks may have more direct causes than others and organisations will also vary in their exposures to the impacts of the risks. When looking to mitigate risks, organisations need to attempt to prevent risks first, and then have controls in place that will reduce impacts if the risk were to happen. In the South African context, the fact that we are later on the infection spectrum, allows us to learn from experience of other countries, and organisations, to allow us to attempt to prevent impacts. Organisations may, however, deem many issues to be out of their control and beyond their influence, in which case plans need to be in place for preparedness to respond to impacts once they occur.

<div style="vertical-text">Risk Assessment</div>

The diagram below shows some of the typical areas of impact to consider.

Health Risks: Death and illness, spread of infection, low productivity, high absenteeism	**Supply Chain:** Unavailability of goods and materials, export and import delays, force majeure situations	**Revenue Loss:** Reduction in sales, demand, international service disruptions, operational interruptions
Global Economy: Reduced demand, reduced consumption, increasing costs, increasing debt, oil prices, interest and forex rates	**Political Issues:** Sanctions and trade controls, movement restrictions, distrust within and between countries	**Travel and Tourism:** Travel restrictions, event cancellation, reduced revenues in tourism sector and small businesses
Social Impacts: Xenophobia and discrimination, labour unrest, hysteria and panic	**Panic and Hysteria:** Fake or exaggerated news, fear, citizen distrust, panic buying	**Chinese-African Projects:** Impact on project delivery and labour availability/quarantine

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How do these global events tip our appetite and tolerance perception?

Our traditional risk management practices implicitly treat risks as measurable, somewhat predictable and that we have some level of knowledge of the causes and drivers as they have happened before elsewhere. But the extreme risks, like a global pandemic, do not fit this description. They have very different characteristics, significantly more "unknowns", there is very little applicable historical data and there are unclear relationships between causes / drivers and consequences, making it difficult to forecast the potential level of impact.

Risk Appetite and Tolerance

We need to deal with these extreme risks differently, particularly in terms of Risk Appetite and Tolerance. We know we have zero appetite for the extreme risk, but we will have different levels of appetite and tolerance to the range of impacts that will stem from them. And there is no one size fits all approach. By considering the impacts above, different organisations, public vs private sector, international vs local, import versus manufacturing, large or small, labour intensive vs automated, will have different levels of appetite and tolerance for each impact type. And more often than not, other extreme risks have occurred that have led to similar impacts and losses, for example, natural disasters may also interrupt the supply chain, or trade sanctions are imposed for political reasons. We have heard rumour of cancellation of the Olympic Games in Tokyo later this year, and have already seen cancellations of sporting events, for example, the Six Nations game between Italy and England as the cost of having to mitigate the infection risk was deemed unacceptable (outside of Tolerance) by organisers. In our own organisations, we may need to analyse the costs versus benefits of business travel, or if the risk of delay to delivery of imported products is greater than the cost of using a local supplier as an alternative, to keep the risk within our tolerance.

So we know we need to separate these extreme risks and crisis situations from the everyday 'normal' risks. We need to deal with them differently, with much more agility and ensure efficiency in risk mitigation, as the timeframes are significantly shorter. This is due to the risks being more unpredictable, non-recurring in nature, emerging from unknown risk drivers and difficult to quantify. A traditional governance structure that works well during normal operations becomes too slow and inefficient in a crisis situation. We need to have some level of crisis governance and our mechanisms for decision making and cascading actions through the organisation in a simple manner but with effective control, communication and feedback. This governance should be designed, approved and set up well before an extreme risk event emerges as part of our Business Continuity Management / Crisis Management framework. Then once a crisis event is detected, we can assess the risk and impacts and based on our appetite and tolerance for the impacts, we will know if we need to be in crisis management mode or not.

What should we be doing right now to prepare ourselves for COVID-19 Coronavirus?

Depending on our organisation, and the context implications and risks we have identified, we need to keep stakeholders informed and mitigate risks to stakeholders, supply chains and our organisation's reputation.

LOOK AFTER OUR PEOPLE

Enforce good hygiene practice and ensure adequate supplies of cleaning and hygiene products.

Monitor sickness levels more closely and ensure employees are aware of expected symptoms.

Travel advice updates need to be sent where relevant for countries with infection cases.

Meetings and events need to be risk assessed in case any higher risk visitors are expected.

All actions need to be done sensitively so as not to lead to discrimination or xenophobia.

COMMUNICATION

Pragmatic and accurate communication using the best sources of information [Centres for Disease Control and the World Health Organization]

Briefing leadership teams, relevant stakeholders and employees and keeping them up to date with any developments.

Having a dedicated communications plan,to ensure communications are aligned to policy and objectives.

Accurate facts will mitigate the spread of misinformation, dispel rumours and curb hysteria and panic.

OUR BUSINESS

Review contingency plans for sustained staff shortages.

Review supply chain exposures,, potential disruptions anddetermine alternatives or contingency plans.

Modify policies to give greater flexibility to normal working arrangements, e.g. working from home.

Review marketinng and sales objectives and opportunies.

Review contracts and force majeure requirements.

Review insurance policies for pandemics and business interruptions.

RESPONSE FOR RESILIENCE

Set up a 'monitoring' incident management team if necessary. This may form part of existing Business Continuity / Crisis Management structures.

Different workstreams to address key impacts.

Stress testing / Scenario simulations to be facilitated to determine potential impacts.

WHO estimates that each month, 89 million medical masks will be required for the COVID-19 response; 76 million examination gloves, and 1.6 million goggles.

In Conclusion

As we follow the progress of the COVID-19 Coronavirus and see the impacts incurred and responses of countries with infection cases, what other global organisations are putting in place to mitigate impacts, and how the virus progresses, South African organisations need to assess their risk individually, decide on response strategies based on their appetite and tolerance for the potential impacts and learn from others. We can put processes and controls in place and be prepared to mitigate impacts, but hopefully we have enough prevention strategies in place as a result of the learning curve. We cannot prevent these crisis events, but we can protect our organisations through being ready and resilient.

Resources and additional reading:

https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports/

https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases

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