Epidemic risk management:
Let's call a meeting to discuss COVID-19

No, let's not. Calling a meeting promotes congregating in groups at a time when a virus can be transmitted to two people from one infected person- it is not a good idea. What is however, and sends the right message on navigating a crisis, is having team leaders, risk champions, business continuity professionals, human resources, and communications teams collaborate online and agree on a comprehensive strategy to manage the risks associated with this epidemic.

The Ministry of Education's recent decision to close schools for several weeks and to venture into e-learning has sent a strong message to the nation that precautionary measures are being taken in light of the COVID-19 speed of spread around the world. As such, we received calls from our clients asking for advice on how their position as risk managers can serve the management of this crisis and we have summarized it below.

Skeptics and probability experts argue that this is an overreaction, that we should not be handling this epidemic like it is the apocalypse, but it is important to note that it takes many individual overreactions for an adequate collective reaction.

For example, Chinese scientists were incredibly fast at figuring out the sequence of the virus so that the healthcare industry could initiate work on treatment and readiness for hospitalization and quarantine, but local hospitals, businesses and schools did not act in time and instead reacted to the evidence of diagnosed local cases.

That being said, do not condemn panic, rather, ensure that it is does not lead to chaos by following the simple steps to managing risk and remember that it is better to panic and over-act early than to panic and react too late.

Communication

It is important that the management is advised to control the messages that are communicated internally and externally within the organization in order to avoid a state of panic.

The key to risk management is to show control in times of uncertainty, to provide information that is true so as to break exaggerated statements that trigger panic and misinformation which together are counterproductive for the active management of an epidemic.

Employers have a responsibility to provide their employees with a safe work environment, this also extends to restricting business travel to affected countries and to require physician's clearance if an employee has travelled for personal reasons along with a mandatory 14-day telecommuting requirement upon return. This should also be extended to working at a client's office which is why internal and external communication on the same is critical.

Internal Communication:

If your Human Resources department has not done so already, it is important that they reinforce the advisory messages received by the ministries through emails, informational posters, sick leave policy changes, and direct communication between leaders and their team.

It is equally important to inform employees on actions taken such as training for the facilities management team on cleaning standards, installing dispensers for hand sanitizers, keeping frequently active doors open, switching from biometric attendance to manual timesheets, limiting the use of multi-user items and increasing their cleaning frequency (water cooler, elevator buttons, fingerprint sensor, door handles) providing instructions on mitigating the risk by limiting unnecessary travel, promoting working from home and encouraging video conferencing instead, staying abreast of employees recent travel schedules, etc.

External communication:

You should inform your clients on the precautionary measures you have taken internally, particularly those that apply to your client-facing employees.

This will reassure them that your colleagues are aware and will explain why some meetings or trips will need to be postponed, canceled or handled via video conferencing. Remember that your clients are not sure what to do either and you can help set an example to exponentially promote risk mitigation.

Note: It is important that your communications department is also looped in on your business continuity efforts so that they too are prepared for internal and external communications of the same.

Crisis Management and Contingency Planning

As part of mitigating the risk, you also want to make time for contingency planning so if you have a crisis management and/or business continuity plan, review it and discuss the possibility of activating it with your leadership.

Once the initial firefighting is done and the people aspect is under control, reinforcing communication guidelines during a crisis is your immediate next step:

- Inform your employees about the severity of the legal implications in discussing untruthful facts about the epidemic.

- Determine who the designated speakers are in the event that a public statement is to be made and define the language to be used, down to the choice of words. Train these speakers on questions and answers so they are prepared, and in doing so, consider various scenarios such as an instance where a client or an employee has been infected by the virus so they know how to respond.

- If you have a crisis communication platform or plan, it is not too early to activate its use so that your employees can get comfortable using it if the situation escalates.

We recommend you reach out to your risk champions, or business unit leaders and ask them to do the following:

- Define what the worst-case scenario is for them: Employees can't travel, clients can't visit, projects halting, execution being postponed, etc.

- Assess the impact: It is useful to attribute a financial impact here because you want to make sure you are having a "business conversation" and not just a "risk conversation" with your business leaders.

- Develop a plan for steps that should be taken to reduce the impact or potential likelihood of that scenario.

- Take actions to mitigate the risk based on the above and inform the rest of the organization through the risk management's department to ensure alignment.

- Monitor and adjust on an ongoing basis and as needed.

Note: Some support functions (I.e. finance, project management) are better prepared to deal with such circumstances than others, you may rely on select individuals/departments as support to help build a comprehensive business continuity plan. If you already have risk registers in place, be it enterprise (ERM), strategic or departmental, it is the perfect timing to revisit them to address risks at their root causes and devise risk response plans as needed.

Assess and mitigate business impact

Once you have the people aspect under control, take mitigating steps to prepare the organization for the possible financial impact of various scenarios depicting the potential severity of the spread.

Various reports have shown how economies around the world are suffering, it is no secret that businesses will too, particularly if the nation's growth plans are heavily reliant on major events (I.e. expo 2020 in the UAE) or sectors that are affected by travel (I.e aggressive tourism efforts in KSA).

- Talk to your leadership on taking decisions that promote intelligent cost reduction, with your finance department on adjusting payment terms and have aggressive collection policies, improving working capital and cashflow improvement steps.

- Perhaps there is also an opportunity for acquisitions at a time when overall business performance is weakening, there may be recruitment opportunities or any efficiency driving investment (software or other), you want to make sure you have the cash ready to take advantage of such opportunities.

- Take credit lines now as the market drops it will probably be less possible to get them later when everyone else needs them too.

- Identify key clients and have a direct conversation with them on how the service you provide them may be impacted and help them prepare for that as well.

- Review your supply chain vulnerabilities and assess the need to plan for contingencies (localization, refreshing approved vendors lists, staying in touch with vendors to assess potential disruptions, identify alternative vendors).

- Cross-train employees that have key positions for business support to avoid interruptions if employees fall ill.

- Include clauses in your quotations and contracts that limit your responsibility to fulfill the work should there be a directive from the government to cease activity, a ban on travel or anything that may limit your ability to do the work.

- Consider long term impact: since we don't know short or long the situation will last, your organization may have an opportunity to make up for forgone revenue before the close of its financial year but it might have to plan for it now. In any case, now is the time to assess long term impact on financial results while there is still time to plan for them, communicate them to relevant stakeholders or make up for them.

Assess, modify and stay informed

Remember when there was widespread news about the provenance of the virus and its transmittal mechanism which caused everyone to wear a mask thinking that it gets transmitted by breath only?

We later found out that the wearing a mask does not provide protection, it may however promote contamination given the increased touching of the face and outside of the mask, and as such should only be worn if a person has fallen ill. This demonstrates that an epidemic is dynamic so when little information is available a lot of rumors are spread, and that misinformation will catalyze the spreading of the virus which is why you must stay informed.

We recommend that you read and act upon reliable resources only and that you have a platform available for employees to mention news they have read/heard so that you can together help appease rumors or validate updates. Here are a few resources to get you started:

- The WHO website provides live updates: who.int/emergencies/diseases/novel-coronavirus-2019
- This is a live map showing number of cases around the world: gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6
- Center for health and disease issues regular updates: cdc.gov/coronavirus/2019-ncov/
- CNN has a section for it: edition.cnn.com/asia/live-news/coronavirus-outbreak-03-09-20-intl-hnk/index.html
- UAE government: mohap.gov.ae/en/Pages/default.aspx and its Instagram page instagram.com/p/B9OHgugFXvO/

Practice

In risk management we recommend the simulation of risks with high impact but low potential occurrence to assess the organization's readiness to react as per plan, quantify potential impact and adjust contingency planning accordingly.

Just like the frequent fire drills, we recommend testing various scenarios in the organization to minimize potential impact and suggest you practice the following scenarios:

- Define One day of working from home.
- One week of remote meetings/phone calls/telecommuting only.
- Collaboration with team members on online platforms only (although this should really be the norm anyway particularly if your organization is fully cloud enabled).
- Shuffle vendors in your supply chain momentarily to assess the impact on your product/services/business.
- Stress test your cash position.

The sunshine through the rain

On a side note, never forget that the flip side of risk is opportunity and, in this case, the way you manage risk is a huge indicator of your resilience as a business.

Not only will this epidemic and its mitigating activity shed light on potential vulnerabilities in your processes, assess your agility as a business and your readiness for large scale risks, but it will also provide you with an opportunity to conduct business more efficiently.

For example, telecommuting and video conferencing with clients can potentially be a tremendous cost saving means of doing business if done right. It will of course change the mindset of your clients and encourage less hand holding and more efficient service delivery so the positive externalities may in fact outlive the virus.

Finally, the above should be documented and tailored to various types of crisis including natural disasters, heavy rain days, fires, etc. Departmental, enterprise and strategic risk registers should be put together, a crisis communication plan and platform should be created and continuous updating of, and training on, the above is necessary because being informed and prepared is halfway through the adequate management of risk.

Melissa Aoun

Director,
Transformation Advisory

melissa.aoun@ae.gt.com

Melissa holds an Associate in Risk Management certificate from the American Institutes, a Bachelors' degree in Risk Management from Temple University, a Master of Science degree in Risk Management from New York University and is an active member of the International Risk Management Society. The above is meant to be a guide and not professional risk management advice.

For more information on tailoring a risk management framework for your needs please reach out to Melissa Aoun at melissa.aoun@ae.gt.com
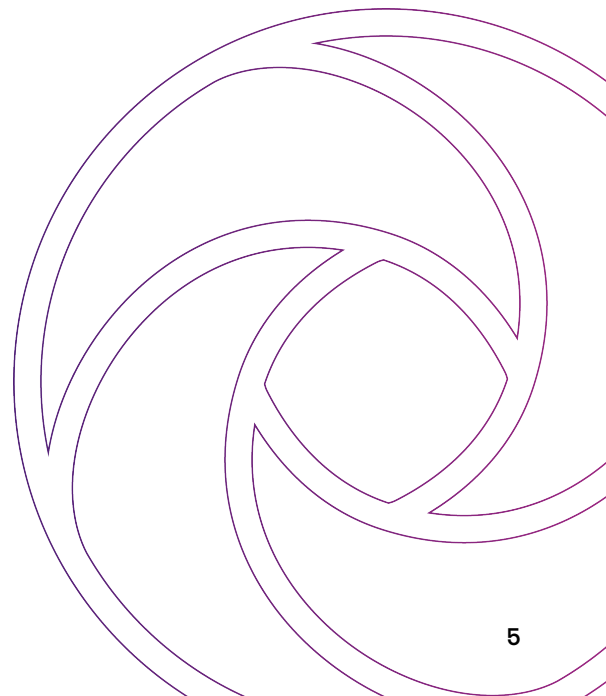
Grant Thornton

grantthornton.ae

Dubai

Rolex Tower, 23 Floor
Sheikh Zayed Road
PO Box 1620
Dubai, UAE

T +971 4 388 9925
F +971 4 388 9915

Abu Dhabi

Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

T +971 2 666 9750
F +971 2 666 9816

Sharjah

Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691
F +971 6 525 9690