

COVID 19 is still rampaging the world and 2<sup>nd</sup> wave infections are rolling on. At the same time, we are beginning to see the vaccines emerging and mass vaccination programs are being prepared, at least in countries wealthy enough to establish these.



We are at the end of the beginning, and on the path towards a new normal. This may not be one, where COVID 19 does not exist, but one, where this can be managed as we can treat this. However, many people will not have the affluence, nor the access to benefit from this, and at present it is unknown as to how long COVID 19 will be an issue we need to address.

However, there comes a time after COVID 19. A time, where many elements of management and risk management needs to differ from past practices to be even remotely relevant and value adding.

### **Post COVID 19 risk management**

Companies are actively addressing the prudence of global interconnected supply chains, the opportunities of working from home, the next level use of online trading and communication, etc. There is little doubt business systems and market dynamics have been changed for good by the disruption emerging from the COVID 19 pandemic.

Risk managers need to be in the forefront of this – or be left behind the wagon as laggards without value to the company. Issues to address from a risk and opportunity perspective will include:

- Our market and market dynamics have changed
- Our business system has already or will be changed
- Our approach to workplace has changed
- Our organisational structure may very well change

Which new risks and opportunities do these changes invoke – and which past risks and opportunities are no longer relevant?

Even risk managers who focus on risk minimization and rely on qualitative low/medium/high scores and heatmaps will see significant changes from the heatmap of 2019 to that of 2021 – and need to address this. Not focusing on the risk of COVID 19, but focusing on the risks of the world after COVID 19 has been sufficiently dealt with.

This is immediate as competitors have already started changing their approaches, ways of doing business and market focus and new competitors emerge. Where many companies have been used to a strategic horizon of 3-5 years or longer, the world now force us to make significant strategic choices to be set in motion over the next 12-18 months.

As executives, who normally focus on the strategic horizon, now have to make strategic decisions with a much shorter horizon, risk managers have the opportunity to step up and provide real advice and support to address uncertainties intelligently. I believe the current level of turmoil will also lead executives to be more open to soliciting and receiving advice than what may have been the case under “normal” circumstances.

So – risk managers. This is your window of opportunity to step up and add true value to your company, beyond buying an insurance and establishing some compliance procedure. Such elements may be valuable enough – but more is needed NOW.

### **The next wave**

The next wave, I predict, is not a new wave we have never seen before, but one which is all around us already. The wave of climate change. In fact, it is probably so big, we do not even see this as a wave that may “break” and cause havoc for us.

#### [The State of the Planet, by UN Secretary-General António Guterres \(2020\) - YouTube](#)

Listening to the UN Secretary-General António Guterres in his recent (3 December, 2020) State of the Planet address, the human race is currently racing down the wrong path in a “war against nature”. But, as he states in the address – nature always fights back, and nature always wins.

- Ice is melting and global temperatures are rising
- Wildfires in California and Australia are at unprecedented levels
- Hurricanes becomes more frequent and damaging
- COVID 19 as pandemic is a consequence of global physical connectivity
- ...

The list is long, and Secretary Guterres lists a number of examples. Among these he states that current projections of global warming indicate a 3-5 degree rise in temperature by the end of the century, rather than the 1.5 degree targeted by the Paris agreement.

Obviously, the world is already experiencing nature fighting back, and it can no longer be seen as “just extremes”. The next level of wildfires or tsunamis, or draughts or ... will be bigger than anything we have ever seen before – and the next one after that, bigger again. Oxford University Professor Bent Flyvbjerg talks about this as “regression to the tail”.

The immediate question to any astute risk manager is now “How will this affect...”

- Our market and market dynamics
- Our supply/value chain and business system
- Organisation
- Aspirations and target setting
- ...

On using a more active approach, the questions can be altered to:

- How do we measure success and failure in the “new world”?
- What are our unique capabilities, and how can these be brought into play?

- Which markets do we cater to, and which do we leave?
- How do we establish competitive advantages?
- How do we build/rebuild our supply/value chain?
- How do we organise?
- ...

Some of these issues may be long term and not with any major change within the first 3-5 years. However, large transformations are often recognized by the fact that “to begin with, nothing happens” and tenacity and commitment is needed to prevail.

As a risk manager, you cannot possibly see climate change as a “black swan” which you can then excuse yourself by once the calamity hits. This is a “grey rhino” which is charging towards you and will be dangerous if you do not act in a timely manner.

Some companies will see a need for significant transformation – one, which cannot be implemented in terms of a few years. To make such transformations in time, something may very well have to happen “next week”. In many instances, it is like when John F. Kennedy in 1963 stated that the United States would put a man on the Moon by the end of the decade. It was still 7 years into the future, but NASA immediately realized, that to meet that target, they needed to be able to do this and that by 1968, that by 1967 and so forth, and ... we need this ready 6 months from now.

I trust a lot of risk managers have already stepped up, and are in full process of addressing this. Those that are not have a closing window of opportunity. The longer you wait, the less you and your company can accomplish in terms of being competitive and relevant and prosperous 10 or 20 years ahead.

You need to address these issues now. If human beings do not globally change course – and alas, I see too little evidence of real action to that effect – global warming will increase, water levels rise, storms and hurricanes get worse, etc.

The day one or more costal megacities like Shanghai, Singapore, London, New York and Tokyo are flooded by some storm/extreme event it is too late for the risk manager to think about “now, what do we do”.

No – you are just a risk manager in one company – you cannot save the world and avoid climate change all by yourself. You can however:

- Push for your company to take active part in solving the problem rather than worsening it
- Push for your management to establish performance metrics which are conducive of good environmental behaviour rather than focused on short term fiscal gains
- Prepare your company in time for those consequences of climate that are especially relevant for you
- Collaborate with your HR team to ensure your company is attractive to relevant employee groups

Risk management is an approach to support creating and protecting value. With the next wave of climate change raging upon us at an ever-increasing speed and volume – this

becomes a truly strategic matter of survival. Survival, if not of the human race, then at least of your company in a world grossly and increasingly affected by climate extremes.

These days are challenging. On top of climate change we have a range of parallel issues:

- The 4<sup>th</sup> industrial revolution with disruptions invoked by technological advances
- Wealth distribution and the 99% movement
- Political conflicts
- Over-population/food crisis
- Refugees/migration
- ...

Professionally, there is plenty to do for a risk manager. Every company will be affected by several of these issues. The foundation is “trouble”, the solution is “opportunity” and the strategy is “tenacity”.

Step up, earn your title and be a valuable partner in your company.

**Good luck**

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