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Managing risks and threats – intelligently

Over the past 12 months, we have seen some seismic impacts in Australian corporate governance and leadership. When it comes to risk management and crisis, there is no doubt that risk events are becoming more frequent and widespread in their impact.

There are several case studies of where risk management goes awry. In almost all of these cases, organisations faced a major credibility problem and the strength of their response was critical. Good crisis preparation builds trust and confidence. It can also help to reduce exposure to key risks.

Credibility is harder to earn when your reputation is lost. The long-term effect of reputation risk far outweighs any short-term business objectives and striking the right balance in response is key.

Decisive leadership is paramount to rebuilding trust and confidence. Our [2019 CEO Survey](#) found that one in two CEOs said they were ‘extremely’ or ‘somewhat concerned’ about their readiness to respond to a crisis.

While the landscape is volatile right now, there is an opportunity to manage risks and threats intelligently. You can’t prepare for every possible future scenario, but you should consider the top threats you should most worry about today and develop a strategy to prevent them.

A crisis playbook with the right team to respond if they eventuate which has been through some stress testing is also key to being prepared. If a different threat eventuates, you will have already developed the muscle memory and cohesion to manage it optimally.



Gaining valuable risk insight

The challenge many organisations face is that they have a large volume of risk data, where insights are lost, and often, the focus is on trying to wade through the data provided, rather than the key messages it should convey.

This was reiterated in our 2019 *CEO Survey*, where 96% of local CEOs say that the information about their organisation's key risks is critical for their organisation's long-term success, but worryingly only 22% think that data is comprehensive and/or insightful.

CEOs also recognise they don't have the capability to use the data they have to make optimal risk decisions. Talent pools are seeing a big shift to sophisticated analytics and people who can collaborate with the businesses to translate analysis into insights and actions.

Risk reporting include a more forward looking, real time view of risks and predictive insights to help identify issues sooner. This allows more time to anticipate and respond.



Building the right skills and capabilities

71% of CEOs surveyed listed 'availability of key skills' within their top 5 threats to growth. They realise they simply don't have people with all of the skills required to manage some of their key risks. This means that when crisis hits, they may already be at a disadvantage.

When determining skills requirements, the capability to manage key risks and operate in a crisis situation are often overlooked. There are no quick fixes, but start to address the skills gaps by:

- Seeking the right expertise to help in assessing key threats and vulnerabilities – eg in technical areas such as cyber attacks or geo-political risks
- Up-skilling the team to know what to do in response
- Cultivating soft skills such as empathy and problem-solving ability
- Instilling dedicated people with deep risk analytics and business knowledge
- Focussing on a senior-level sponsorship with board and senior executive buy-in.

The benefits can be material: Several studies have shown that companies who have responded well to a crisis experienced on average a 22% premium in share value. The cost of response is very high and can have a long tail.

Five essential steps to being prepared for a crisis

1. **Establish a dedicated crisis leadership team** – Who is on point? Who else should be involved? Who can make decisions? Is the path of escalation clear?
2. **Identify a core cross-functional team with the right capabilities** including data analysis, legal and regulatory, social media monitoring, market intelligence, communications, IT and security, and other operational first responders.
3. **Develop a crisis playbook** – the first 24 hours of a crisis response is critical – a clear structure to manage the response is essential.
4. **Practice makes perfect** – simulations create the pressures, psychology and team dynamics of a true crisis, and yield valuable knowledge of strengths and weaknesses in response.
5. **Action the lessons learned**, address the gaps identified and test again to continuously refine.