

# Acknowledge the reality of risk

## FACE UP TO AND MANAGE THE RISKS ASSOCIATED WITH YOUR HUMAN CAPITAL.

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**(W)** While technical risks are generally well-managed in South Africa (with disaster recovery plans in place covering eventualities such as bomb scares, power outages, fire scares, IT failure, human capital, corporate intelligence) reputational and business continuity risks are often very loosely managed, placing organisations at considerable risk.

Human capital risk management is often limited to policies and procedures governing executive travel arrangements and ensuring that key executives are never on the same flight.

Risks associated with individuals exiting the organisation are often poorly managed, if at all. An exit interview is an integral component of proper risk management. The exit interview may even assist the organisation to “make peace” with a disgruntled employee, preventing the situation from arising where the disgruntled employee slanders the company. Although the allegations may be totally unfounded, these may prove very damaging to the organisation’s reputation, nevertheless.

Corporate intelligence is another risk, which is often overlooked. Unless properly managed, there is serious risk that the company may lose its competitive advantage. As Jack Welch, former CEO of General

Electric observes, “If you don’t have a competitive advantage, don’t compete.”

Ensuring that the necessary restraints of trade are in place and enforced can go a very long way towards mitigating risks. Managers should ensure that they have conversations with their staff on a regular basis, reminding them of restraints of trade.

Relationships with work colleagues often become firm friendships. It is important, therefore, to remind current employees that they need to ensure that they never inadvertently pass on sensitive information to former employees. This information could be used inappropriately and could impact very negatively on their business and may even result in a loss of revenue. A good maxim in this regard is, “What is said in the office remains in the office.”

Although there may be signs of an economic recovery, the global economy is not out of the woods yet. A tough operating environment means many organisations may still be compelled to retrench or redeploy employees. Both exigencies pose significant reputational risks and need to be managed properly.

Business continuity is another risk which is often overlooked. This point was driven home very powerfully by the recent Polish air force Tu-154 air crash, which killed the Polish President, Lech Kaczynski, the first lady, central bank governor, senior commanders of Poland’s ground, air, naval and special forces, bishops and dignitaries. The ramifications of this disaster will be felt for many years.

Would your organisation survive if it were to lose key members of its management team or individuals in specialist roles for what ever reason? Does your organisation have the necessary plans in place to ensure business survival in the event of a

disaster?

Organisations are often very reliant on employees who possess highly specialised skills. This dependence is undoubtedly the organisation’s Achilles heel, since these positions are often very difficult to fill and are key to business continuity.

Proper risk management can help to mitigate this risk. It means, however, that organisations should always have a Second in Command (2IC) in place in specialist positions. There should always be someone in the organisation who understands the specialist’s role completely and is able to fill the specialist’s shoes.

This begs the question, what about smaller organisations? Ensuring that your organisation has a 2IC in every specialist position is a business imperative.

Small organisations need to be smart and they need to think out of the box. While they may not be able to afford to hire two people in a specialist role, it may be possible to bring an intern into the company, to “shadow” the specialist. This strategy could also assist the organisation to meet its Employment Equity targets.

As for larger organisations, there is a very compelling business case that suggests that it may prove more cost effective to bring in someone to shadow their current specialist, than to attempt to find a replacement, should the incumbent specialist leave the organisation.

Charles Tremper CIO of American Association of Homes and Services for the Ageing rightly observed, “The first step in the risk management process is to acknowledge the reality of risk. Denial is a common tactic that substitutes deliberate ignorance for thoughtful planning.”

The harsh reality is many organisations today are still in denial. Has your organisation covered all of the bases in terms of proper risk