



Risk and Crisis Management

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A crisis is a critical turning point in a sequence of events; a point at which crucial decisions or actions significantly shape the future and may eventually lead to business discontinuities if it is not well-managed.

Risk Management entails a combination of risk control and risk financing measures, whereas Crisis Management is solely concerned with risk control measures. During any crisis, people's reactions are of utmost importance and will significantly shape the future of the organisation. Their actions will either intensify or reduce the severity of the resulting losses. The time-critical actions in any crisis management plan are vital for the organisation long-term recovery. The effect and the final outcome of the crisis are dependent on the appropriateness, effectiveness and speed of those actions.

Crisis management also encompasses those measures that need to be put in place before, during and after a major accident. The response to each peril shall be well planned in advance, thereby ensuring a smooth coordination of all the personnel and their actions during the crisis. It should be treated with utmost importance by all Chief Executive Officers, Senior Managers, Stakeholders and everyone in the organisation for the survival of the entity.

TRADITIONAL AND MODERN RISK MANAGEMENT

Traditionally risk managers focus on the handling of pure risk and on the protection of physical assets. They implement sound and effective fiscal management prior to the occurrence of a loss such as through the use of property and casual insurance or other loss-funding arrangements.

Today, firms move towards synergy of the risk and crisis function, and the role is assumed by the "Crisis Manager" function. The "modern" view of risk management has now evolved and is much more encompassing. Its responsibility covers all circumstances that could cause losses to the firm, affecting human and physical assets that can be clearly identified and treated by specific types of loss control and financing planning.

As risks cover a very wide area, a modern risk or crisis manager must not only have fundamental knowledge on previous risk activities but shall also be vigilant of industrial and environmental

accidents, product recalls, acts of terrorism, product tampering and other unforeseen events that could tarnish the reputation, earnings potential or continual sustainability of the organisation.

An effective risk management plan must address the following areas such as; risk control, risk finance, coordination of crisis management and business recovery plan.

The evolution of the modern view of risk management has also inspired Malaysia. Recognising the importance of an organisation to be well-prepared to encounter crisis, SIRIM Berhad, as the sole national standards development agency, has for a start established a Technical Committee on Risk Management to deal with a standard guideline for risk management. This standard aims to provide the concept of and a complete guideline to implement risk management, and sets out a process for the management of risk.

Recently the Technical Committee has stated its readiness to take part and adopt to the ISO's newly developed project titled "Guidelines on Principles and Implementation of Risk Management". Malaysia's participation in the ISO standards development of the Risk Management and adoption of ISO standards as Malaysian Standards indicates our commitment and interest in this area. Stakeholders' participation in this area is very much encouraged so the Malaysian industry would be in a better position and stand tall with other outstanding organisations in the world market place.

If all managers are prepared, educated and trained to handle crisis, along with the application of the to be published Malaysian Standard on risk management, it is hoped they would be able to help their organisation in the transition period when crisis hits and contribute in containing the situation. It is a process that should be integrated seamlessly across the whole organisation and requires full commitment from the whole company, from the site management to the CEO and the Board Members who must be trained, and involved in a crisis management.

In summary, to successfully overcome any crisis, a crisis management and business recovery plan must have:

- Prompt tactical decisions made at the crisis location;
- Localise the response;

- Provide adequate training and support to all staff to equip them with the skills and confidence in managing the early stages of a crisis;
- Create a plan and uniform standards throughout the company;
- Develop realistic simulation and training exercises;
- Start planning for recovery before a crisis occurs;
- Instill a company-wide recognition of the potential impact of a crisis.

CONCLUSION

In conclusion, the fundamental determining factor on the organisation preparedness on crisis is their overall cultural view of crisis management and recovery. Strategic actions, technical and structural response, communication initiatives and psychological support have to be part of an integrated management plan and process that will immediately put the organisation in charge of its own destiny. The process must receive total commitment from its staff, shareholders and the general public. ■

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