INFORMATION DRIVING EFFECTIVE GLOBAL RISK MANAGEMENT

By Joanne Sammer

A massive explosion in a busy Chinese warehouse district may top the evening news for a day or two before media attention moves on. Yet, for global corporations, such an event is a stark reminder of the risks involved in operating worldwide.

No company can ever completely avoid risk; for entities operating worldwide, managing risks for global locations requires special attention. Nonetheless, when armed with accurate data and risk management tools such as dashboard analyses, risk assessment matrices and benchmarking reports, risk executives can mitigate risk. But even with these tools, risk management executives are still missing two crucial assets to effectively manage risk globally—the first being accurate data. All risk management insight must be fueled by the best data available to make educated decisions. And what good is any data if it isn't properly communicated to the appropriate audiences? With that, the second crucial asset is a clearly defined process for sharing risk-related information throughout the organization.

"Real success in risk management comes from discussing that information and knowledge at all levels of the organization so people can keep risks in mind and make informed decisions," says James J. Marsh, CEO of Global Risk Consultants (GRC), a risk control firm based in Clark, NJ. "The growth and advancement of the risk management program happens only with this type of knowledge sharing."

ROLLING UP INFORMATION

Gathering and using risk-related information is a multilayered process occurring at every level of a company. For example, managers at individual plants use such information to understand the risk tolerance for their operations. At the regional level, the same information is integral to creating and managing the risk portfolios for various territories. "How does the risk profile for a specific facility compare with that of others based on a range of risks, such as political, economic, hazard or people-related risks?" poses Marsh. "And how does that relate to the supply chain?"

At the corporate level of the supply chain, it becomes apparent that *all* risk-related information is relative when making strategic decisions, such as selecting an operation's location or identifying potential bottlenecks in the supply chain.

Another important detail to remember is that risk-related information is not restricted to current conditions. "This information can include the history of a particular area and its risk-related issues, as well as underlying trends," says Marsh. "By understanding those past issues, risk executives gain insight into how history affects current conditions—anything from war to weather-related risks." The ultimate goal is to gauge the risk occurrence's probability, frequency, overall impact and potential loss, and to then share this information with the appropriate audience.

With this foundation of information, risk managers can understand the risk profile on a location basis, then roll it up to the regional and geographic level, and then break it down by line of business, product flow interdependency and shared resources."It's a very fluid process," says Marsh. "As the product lines shift and facilities become more or less important, these changes impact the way the company views and deals with related risks."

When companies navigate the local insurance market to obtain coverage for overseas assets, this insight becomes more critical. "Companies must be able to present their risk portfolio in order to make sure the local marketplace understands the risks involved and has the capacity to cover those risks," says Marsh.

"Real success in risk management comes from discussing that information and knowledge at all levels of the organization so people can keep risks in mind and make informed decisions."

–JAMES J. MARSH, CEO, GLOBAL RISK CONSULTANTS

Much is beyond a company's control when operating globally; however, with a foundation of risk-based knowledge and a clearly defined process to communicate this knowledge, organizations have a better chance of recovering, even when the worst outcome imaginable becomes reality.


HELPING CLIENTS
NAVIGATE RISK
Fire Protection Engineering
Natural Hazards Analysis
Jurisdictional Boiler & Pressure Vessel Inspections
Boiler & Machinery Engineering
Infrared Thermography
Loss Control Training
GRC Connect (database)
World Leader in Property Loss Control
For over 50 years, Global Risk Consultants (GRC) has been helping clients solve their property loss control issues. GRC is the only unbundled property loss prevention company to offer a complete portfolio of in-house, site-specific services and risk management solutions.
Global Risk Consultants®
Your Strategic Loss Control Partner
A TÜV SÜD Company
www.globalriskconsultants.com