

Business Matters – People & Risk

‘Security is mostly a superstition. It does not exist in nature, nor do the children of men as a whole experience it. Avoiding danger is no safer in the long run than outright exposure. Life is either a daring adventure or nothing.’ Helen Keller

A risky business ...

Business is risky; the less static the more risk, thus the more successful the business the more risk it must embrace and benefit from. In this article, **mlh** global hr consulting shares their thoughts and experiences in the

All employees are involved in risk management if they think about it.

‘David Gamble, Association of Insurance and Risk Managers

area of risk and people. Without people you have less risk; but you also have no business. Risk is unavoidable but not insurmountable. Indeed taking your people risk seriously will improve your business; the successful management of risk has a positive impact on business success. We believe that proactively identifying your organisations' people risks give you the opportunity to make improvements that prevent problems arising. There is an additional benefit in that it also signals to employees that you mean it when you say that ‘your people are your greatest asset’ and this in itself addresses many of the potential areas of risk.

What are the top business threats?

When the Corporate Executive Programme asked its members

to identify the risks that pose the biggest threat the top two were:

1. Bird Flu pandemic
2. Global Terrorism

These are both well publicised current concerns but warrant a further look. They also draw attention to key areas of ‘normal’ business where managing people risks offers business opportunities. Let’s consider each in turn and identify some of the people risk implications and solutions addressed by our consultants:

The most obvious people risk for **Bird Flu** is around absenteeism – either due to a pandemic itself, or the fear of exposure to a potential pandemic.

- o What contingency plans do

Proactively identifying your organisations' people risks give you the opportunity to make improvements that prevent problems arising and that this planning should filter through to all aspects of your employment proposition

you have for dealing with sudden and very high levels of absenteeism?

- o What about your plans for a state imposed quarantine
- o Do you have policies for dealing with people who

The Chartered Institute of Personnel and Development’s Change Agenda: Risk and Performance identified the following key people risks:

- ◆ brand and reputation
- ◆ employee engagement and commitment
- ◆ management behaviour
- ◆ legislative and regulatory compliance
- ◆ recruitment, retention and skills shortages (current and future)
- ◆ pensions
- ◆ performance and absence management
- ◆ health and safety

refuse to come to work in case they get infected?

Applying the learning to current management practices:

- o How effective are you managers at managing absenteeism?
- o Do you measure the cost of absence today and its impact on profits, business reputation, customer satisfaction, etc?

These and many other questions need to be addressed. The effectiveness with which you address them will impact both on the costs and also the benefits. Managing these and all other people related risks gives you the opportunity for competitive advantage.

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Focusing on people risk

Growth and Profitability

Capability and skills: audits, development, strategic recruitment; resolving skills shortages, innovation

Motivation and Retention: audits, strategies, reward and recognition

Mergers and Acquisitions: organisation and people elements; due diligence, liabilities, integration, organisation

Organisational Design: governance structures, growth strategies, HR strategy

Organisational Culture: management behaviour, commitment, change capability

Performance: high performance teams; systems, leadership, feedback, coaching

Compliance and Sustainability

Health and Safety: behavioural solutions, training and education, employee responsibility

Legislative Compliance: audits, strategies, training, sustaining

Business Continuity Management: disaster contingency, communication, post trauma counselling, systems and training

Cost leadership: cost effective employment practices, restructuring, best practice

Brand and Reputation: employee contribution, employer of choice

Absence management: policy and practice, training and education, best practice, measuring and improving

Tackling People Risk

A useful approach is to consider the people related activities and investments associated with growth, business performance and profitability and those associated with compliance and business sustainability.

The diagram to the left gives some ideas of the sorts of activities that you might wish to consider under the different headings.

Looking at Terrorism and related crises including loss of key employees.

- How strong are your business contingency processes?
- Do you have a mechanism to contact all your employees at short notice?

We can help you take a systematic look at your processes and put in place best practice solutions. Our methodology will also allow you to address some of the broader implications such as dealing with international mobility (which is strongly impacted by the fear of terrorist attacks).

Applying these risks to 'everyday business' raises the question about your ability to retain key employees (and if necessary replace them). Employee motivation is key to retention. Studies all show that Pay is not the prime reason for losing employees. We can support your adoption of a holistic approach to employee retention – understanding and addressing underlying causes in a way that improves your

employee productivity as well as retention. We also support the development of contingency plans for dealing with the loss of critical staff. Once again, the costs of good management practice and prevention are significantly lower than the cost of dealing with the problem itself.

The loss of talent is one of the main risks an organisation can face. Effective retention strategies need not cost additional money - indeed they can save money since they allow for more focused spending - and they should sit alongside effective strategies for exiting people from the organisation where this is the right thing for the individual or the organisation.

'Cost of Replacement metrics show that an average performing staff member costs about 90% of their salary to replace, while high performers can cost anywhere from 300% to 2,000%.'
Article in absolute IT

'Take my 20 best people and, virtually overnight, Microsoft becomes a mediocre company.' Bill Gates

As with any business project a planned, step-wise approach will give you the best results. First establish the business drivers and imperatives:

- is this to address a specific issue or concern?
- Or do you want to seek to overhaul your approach in order to gain competitive advantage?
- What are the short term and long term objectives and goals

Ensure that you balance your efforts between benefit realization and compliance – both are essential for sustained improvement.

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