

Jump-starting the next normal

The COVID-19 pandemic serves as an opportunity for risk professionals to fortify resilience and help organisations emerge stronger, says **Mr Abhishek Nayak** of **HDFC International Life and Re.**



It's only natural to seek certainty, especially in the face of the unknown. Mastering the art of critical thinking beyond managing the probable, involves the ability to anticipate the trinity odds of known-knowns, known-unknowns and unknown-unknowns (popularly known as the Rumsfeld wisdom). This could only be imaginable for organisations where risk professionals are part of the decision-making nerve centre positioned to bolster long-term preparedness.

A mega disruptive event such as the COVID-19 pandemic is perhaps the greatest test for risk professionals and decision-makers globally. Organisations that have navigated the multitude of challenges reasonably have the binary discipline of mature risk culture and agile decision-makers at the forefront. In essence, risk management cannot be an afterthought, but a force to be reckoned with as the world around is surprising us with uncertainties.

Disruptive risks are here to stay

As we live in the new and next normal, it is imperative to remain mindful that disruptive risks are here to stay and it is the world we will continue to live in. Unsettling risks like cyber security, climate change, meteoroid strikes, idiosyncratic events and geopolitical risks are some of the (un)foreseeable disruptions and theoretical possibilities which will take centre stage at some point. Simply put, COVID-19 is a welcome precursor for risk professionals to fortify resilience and help organisations emerge stronger.

Risk functions type-casted with a compliance undertone and carrying an inward culture of managing lines of defense with a box-ticking approach need to radically reimagine the risk framework to stay relevant. But, how do you embrace change? Promulgating the gospel of risk management through a culture that is outside-in and forward looking instead of inside-out and rear view is possibly the best response under normal, stressed, and complex risk conditions. Heightened vulnerability calls for further action.

Reviewing the risk management playbook


It's so much easier and more appealing to build a new process; it is so much harder to improve something that already exists. Risk function should question its central purpose. Will it limit its role in managing headwinds or does it have an active role in tailwinds (accelerating growth)? The order of the day calls for doing both, by widening the horizon of the risk spectrum and the aperture of risk management, allowing for calculated and controlled risk taking. A new risk management playbook is overdue.

As waning and waxing of potential risks continue to challenge the risk landscape of organisations, tools to evaluate and assess risks are increasingly becoming the cornerstone of risk strategy. Post the 2000 (dot-com) and 2008 (sub-prime) crises, sophisticated analytics became popular among the risk community, who only realise later that such models failed to address the unknown. Unfortunately, there is no magic wand or a one-size-fits-all toolkit in managing such scenarios and circumstances.

However, breaking the risk silo, integrating risk with strategy and new projects and ensuring conversations (read: unknowns) get elevated to the CEO's office and board as 'early warnings' are significant steps in the right direction.

Pivotal role for risk practitioners

Insurers and reinsurers, long credited to be the early advocates and architects of modern-day risk management are also peering through the fog of deep uncertainty. The industry is thinking of how to strategise and prioritise objectives, analyse what shape the next normal will take and then move forward.

Risk practitioners associated with (re)insurers have a pivotal role to play by adopting a transformation growth mindset. They can serve to drive a sense of urgency towards making the best effort, and being patient about seeing the most relevant set of outcomes. 

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