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In Time of Economic Difficulty, Do Not Neglect Risk Control

Since the economic recession (global meltdown) crept into the world in 2008, countries, organisations and individuals have been battling the aftermath. Companies have adopted several cost reduction measures to remain afloat.

While some cost containment measures will help to eliminate waste and unproductive luxuries, organisations must take conscious precautions to ensure that risk exposures in the obvious hard time are not aggravated by their actions.

A manufacturing entity in Nigeria ran into economic difficulty about ten years ago. The Board and Top Management were replaced. The Company embarked on staff rationalisation and cost reduction measures which resulted in downgrading of maintenance, safety, training and risk management activities. The “it won’t happen syndrome” failed when a dawn fire razed the production unit of the factory. The fire damage was aggravated by unserviceable fire fighting appliances. As insurance premiums for the preceding 2 years remained unpaid, insurers declined liability and the loss eventually led to its liquidation.



What Do You Need To Do?

- Understand that Risk Control is an essential catalyst to business success. Brilliant visions, business strategies, investment plans will easily be derailed by a major loss event.
- In all circumstances, safety values and standards should not be compromised.
- Evolve a Business Continuity Plan or Disaster Recovery Plan in addition to Emergency Response Plan. This should be tested, reviewed and updated annually.
- Management should encourage its staff to comment or raise awareness about any critical safety equipment or activity which are being adversely impacted by on-going cost saving measures.
- Insurance has proved to be an effective “bail out” mechanism in the event of a catastrophic loss. This last line of financial defence should always be top priority.
- “Management of Change” reviews should be employed to address the resultant risk effects following changes in staffing and all other aspects of operations.
- Economic Difficulty does not last forever and all is not gloomy while it reigns. Identify and exploit favourable opportunities that manifest for turn around.
- For further professional assistance, contact IRPC and IBN.

IRPC ... Unwavering Commitment to Risk Protection of Businesses

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