Replan, reposition, reset
How Risk functions can fortify resilience post COVID-19
As the health and humanitarian impacts of the COVID-19 pandemic evolve, so do the business and economic challenges. Organizations looking to balance their immediate needs with longer-term opportunities will see the trade-offs play out across three waves of impact: the Now, the Next and the Never Normal.

The Now includes an emphasis on supporting people, customers and suppliers. The Next will feature refocusing the business to withstand new threats and seize new opportunities. And the Never Normal will require navigating rapid shifts in cultural norms, values and behaviors.

This is the moment to reinvent business models and reintegrate the value organizations provide into a new societal landscape. The time to shape a mindset of bold business transformation powered by new approaches to technology and responsible leadership is underway.
COVID-19 amplifies an already highly volatile risk landscape

The COVID-19 outbreak is an unprecedented shock for people and businesses around the world. COVID-19 alone is a significant business risk. But it also exacerbates and reshapes risks that companies were struggling to get to grips with before the outbreak.

Geopolitical tensions deepened while new working practices and use of new collaboration tools create new cyber vulnerabilities and points of weakness for fraudsters and criminals seek to exploit. And huge swings in financial markets exacerbate credit and liquidity risk, leaving businesses of all sizes threatened on multiple levels.

The pandemic will ultimately recede, but volatility is here to stay. This document explores how the Risk function can proactively prepare the business for future shocks, no matter the cause. Those that do can expect their businesses to be more operationally resilient and recover quicker than those that do not.
COVID-19 impacts all sectors, but not equally

COVID-19 has impacted businesses in all sectors. Global auto manufacturers have halted production, while Silicon Valley giants have sent virtually all employees to work from home. Global airlines have grounded vast portions of their fleets. And oil and gas majors have been hit by increased volatility, including decades-low oil prices.

That said, specific sectors feel the shock more than others. Late-April weekly revenue in the transport, entertainment, and restaurant industries had decreased by more than 30% compared with the same week in 2019 (see visual).³

But companies less impacted by COVID-19—or even experiencing an increase in sales because of it—can not be caught comfortable. Risk functions in these businesses should also act decisively in preparation for future volatility.

Comparison: Average revenue last week vs same week in 2019

Source: Data Dashboard: How coronavirus / COVID-19 is impacting local business revenue across the U.S., WOMPLY
Proactively reposition risk to bolster long-term preparedness

The Risk function can play a substantial role in preparing a business for future volatility and crises, for a new regulation that may materialize, and to grasp the opportunities (and mitigate further significant impacts) that emerge as the pandemic recedes.

To do so, Risk leaders should enhance the fundamentals of the risk function by executing the following steps.
Hone sensing capabilities with new data and sophisticated technology

Risk functions have always been highly analytical, using sophisticated tools to draw insights from multiple data sources. But heightened volatility calls for further action.

Expand data sources analyzed
This is key to detecting threats and uncover potential opportunities. For example, online news and social media can be harnessed to create so-called digital signals that identify early indicators of future COVID-19 case hotspots or changing customer behavior and preferences.

Make greater use of internal data
All too often, internal data exists in siloed systems, making it near impossible to extract, aggregate, synthesize, and analyze. Risk functions should make a case for siloed systems and datasets to be aggregated into a centralized database or data lake to ease analysis and onboard new data and be involved in this transition if asked by the business.

Turn data into insights
To draw useful insights from internal and external data, Risk functions should explore the array of new artificial intelligence and machine learning-based tools, advanced analytical and predictive modeling techniques. Those can sift through vast data to unearth patterns or anomalies that may indicate a threat or opportunity.

Look to intelligent technologies
Many businesses already use intelligent technologies to scan network activity to detect cyber breaches. The same technology can be deployed to identify other activities that may constitute a risk, such as early indicators of poor conduct, fraud, identity theft, or customers with poor credit.

Don’t overlook less sophisticated tech
More established technologies like cloud and robotic process automation (RPA) should not be overlooked and can help streamline manual processes. This frees up time for the Risk function to detect, analyze, and mitigate new and emerging threats.
Clarify your purpose — break out of the risk silo

The Risk function should question its core purpose. Is its role purely to mitigate downside, or does it have an active role in accelerating growth? Progressive risk functions do both.

To help drive growth, Risk leaders should build strong relationships with executives across the business, especially those in technology, IT, and operations functions. This is key if the risk is to inform and influence business and technology strategy and build resilience across the enterprise.

Risk should also deepen relationships with the broader business to fulfill its primary responsibility of protecting the business. In practice, risk mitigation is done by the company itself—the so-called first line of defense. Close collaboration is critical to align the Risk function and the broader business on how risk is defined, measured, controlled, and mitigated, and that there is no duplication of effort.
Foster an “always on alert” culture

Risk leaders should avoid reverting to an inward culture of procedure and box-ticking. They should relentlessly prepare and equip Risk to be on the lookout for new threats and ready to mitigate risks that materialize.

As Risk increasingly works with advanced tech, vast quantities of data, and staff from other groups, Risk employees should possess skillsets such as, data, technology, interpersonal skills, and in-depth knowledge in particular area.

Recruitment can help, but it’s not the only answer. Existing teams should be retrained as they are likely to have intimate knowledge of the business and move external tech and analytics specialists to the Risk function.

The function’s skills profile should also be fit to analyze and mitigate the new and emerging risks. In parallel, Risk functions should be able to work with and effectively leverage the new analytical technologies being deployed.

The business should be better prepared to weather and thrive in future volatility by developing the right skills mix and inspiring a culture of curiosity and willingness to challenge within the Risk function.
Five ways the Risk function can fortify resilience and accelerate transformation

With the Risk function repositioned as a data-and technology-driven, value-oriented, and forward-looking function integrated with the broader business, it is better equipped to fortify resilience and accelerate transformation.

What follows are some practical steps the risk function can take Now to fortify its resilience post-COVID-19 and help the enterprise Emerge Stronger.
1. Re-define what needs most protection

What do we have that is most valuable?

01 Identify most valuable business assets
Because it’s impossible to protect everything, it’s always been good practice to identify the most valuable and mission-critical business assets and devote more resources to shielding and protecting them.

02 Use agile/dynamic planning and modeling
Ever-increasing volatility causes continual change, and the organization should proactively re-define what deserves enhanced protection so that resources devoted to protecting them are appropriately allocated. This means undertaking more agile and dynamic planning and modeling to understand what’s most important.

03 This is not a one-off exercise
In this volatile, fast-paced environment, Risk functions should continuously review and update which assets are most worthy of protection and what they can control—their “sphere of control”—and work actively with the business to adapt mitigation measures and control frameworks accordingly.
How are these assets vulnerable?

01 Which prized assets are most vulnerable
Risk functions shouldn’t stop at defining what needs most protection; they should also understand whether their most prized assets have become more sensitive. With talk of possible COVID-19 “second waves” and the threat of other pandemics, the Risk function should fully incorporate pandemic risk into its resiliency planning.

02 Keep an eye on other emerging risks
Risk functions can’t forget the different emerging and non-traditional threats that were rising the agenda pre-COVID-19. Whether it’s geopolitical tensions, the disruptive impact of new digital technology, data privacy, or cybersecurity, they should maintain awareness and alertness to a broad set of new threats.

03 Identify how risks undermine resilience
Risk leaders should also map out how threats can undermine operational resilience in previously unthinkable ways. Take data protection and privacy. New data vulnerabilities and risks are created by an increase in distributed working and digital customer interaction. Risk leaders should proactively evaluate how this “new normal” creates new threats to operational resilience.
3. Rethink old models: Sensitivity testing should be based on broader and more severe scenarios

How do we stay current?

01 Rethink how to measure risk sensitivity
Businesses should rethink how they measure sensitivity to risk as assumptions around liquidity and market demand no longer apply. Banks with highly complex liquidity and capital reserve stress-testing models should rethink the scenarios that underpin them, as they almost certainly don’t account for the widespread disruption caused by COVID-19.

02 This also applies to non-financial services firms
The same applies to non-financial services firms. They, too, should recalculate how COVID-19, and various recovery scenarios, impact their operations and finances. When doing so, they should model the impact of specific changes as well as how risks are interlinked and the potential for shock events to trigger new unforeseen scenarios.

03 Risk function should lead the charge
Risk should play a leadership role in this analysis and collaborate with stakeholders to unearth risk interdependencies and obtain a real-world view of how shocks might unfold. Methods like tabletop exercises and wargaming can help people imagine more severe, realistic, downside scenarios.

04 Consider the ability to respond to another significant shock
During this crisis, businesses should actively consider their ability to respond to another major shock, such as a crippling cyberattack or natural disaster. The Risk function should carefully consider how it and the full business should respond to a substantial risk event, given the constraints of the current working and business environment.

05 Consider rewriting and activating business continuity plan
Businesses should consider rewriting, testing, and making active their continuity plans. One of the earliest learnings of the COVID-19 outbreak is that business continuity plans or crisis response plans were lacking. Plans should be updated to include actionable, authoritative instructions for how to maintain business continuity.
How do we evolve to stay relevant?

01 Prepare for future volatility
The primary role of the Risk function is to prepare the business for future volatility, including identifying and evaluating opportunities through this challenging period. Using their advanced analytical capabilities and knowledge of risk, the function could assist in assessing new supply chain models, the viability of new potential markets, or developing new products.

02 Bring value to digital transformation
Risk functions can add particular value to digital transformation initiatives. From banking to retail, COVID-19 is expected to accelerate the drive to develop digital-first consumer propositions. If the Risk function is not at the table when these are being discussed and designed, key risk processes may be overlooked, and new vulnerabilities can be created.

4. Help the business post-COVID
5. Actively engage with regulators

How do we stay compliant?

01 Regulators are watching
Companies in highly regulated sectors have been asked to submit numerous datasets relating to COVID-19 by their regulators. Many struggle to respond as the data needed sits across multiple systems or can’t be sliced appropriately. Some banks have privately commented that regulators’ demands resemble the surge in requests during the 2008 crisis.

02 Invest wisely
Many businesses are investing significant amounts of capital and human resources into responding to data requests. By investing in data infrastructure, technology, and skillsets, and implementing more robust data governance and control frameworks, Risk functions can sense risks and opportunities and efficiently respond to future requests.

03 Remain compliant
Risk functions should pay close attention to remain regulatory compliant. COVID-19 necessitated new ways of working and engaging with customers. But existing regulations need to be adhered to as well. In specific sectors, regulators have adapted requirements in response to the new environment. Risk should stay on top of these and inform the broader business of the implications.

04 Prepare for new regulations
New regulation should no doubt emerge as a result of COVID-19, whether concerning health and safety, cashless payments, or import-export controls. Risk leaders are encouraged to work alongside other business leaders, and even peers in their sector, to help inform and shape new regulation.
How Accenture can help

Risk functions can’t change the risk landscape, but they can work with business leaders to improve their sphere of control and how they prepare for future volatility.

As the human and business impacts of COVID-19 continue to change across geographies, the race is on to safely re-start operations. Leaders recognize that it is not about returning to the past. Working as a team, Accenture can help you build enterprise resiliency to mitigate the high level of volatility created by the COVID-19 crisis.

Together, we can help you outmaneuver uncertainty and emerge stronger from an increasingly complex and volatile world that can only be described as never normal.
To help our clients navigate the human and business impact of COVID-19, we’ve created a hub with our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be continuously updated. Check back regularly for more insights.

VISIT OUR HUB HERE
COVID-19 related material of particular interest

COVID-19: Systems resilience in times of unprecedented disruption
Explores how IT and business leaders can allow their organizations to continue to operate through this unprecedented disruption by addressing critical business processes and underlying systems.

Continuity in crisis: How to run effective business services during COVID-19
Demonstrates how business leaders can effectively protect their people and customers while preserving business continuity during times of crisis.

Channel shift: Prioritizing digital commerce
Details new customer habits and behaviors that are not likely to go away after the crisis passes.

Building supply chain resilience: What to do now and next during COVID-19
Explains how companies can build more excellent responsiveness and resilience into their supply chains through applied analytics, artificial intelligence, machine learning, and by providing end-to-end transparency.
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References

5. Ibid.
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