The Uncertain Times

May – July 2014
Issue #1

Welcome to the first edition of **The Uncertain Times** – a quarterly newsletter bringing you snippets from the Business and Risk Management Industry, informative articles from our consultants and some lighter reading.

In this edition in we discuss the Risks of Strikes, Human Failure Analysis as well as the importance of Risk Management Maturity Evaluations.

Mondial

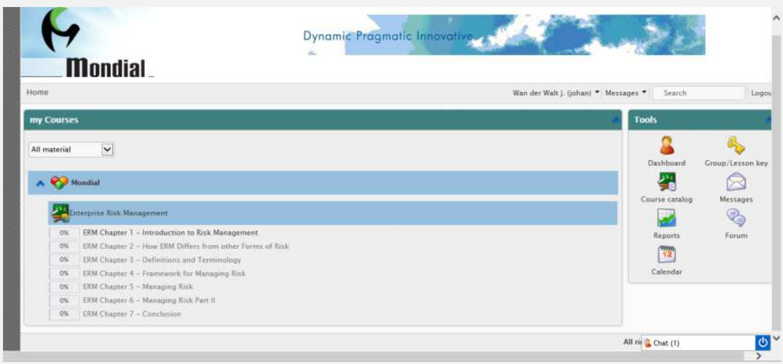
Dynamic Pragmatic Innovative

Mondial's E Learning

Mondial Consultants have developed a Computer Based Training (CBT) / E learning module on Enterprise Risk Management. The training material has been developed and is made available through the Learning Management System called eFront.
The training module takes about three hours to complete and contains a blend of theory, practical examples and test questions to solidify learning.

We believe that this fundamental understanding and awareness is critical for the implementation and embedding of good risk management in an organisation as it can touch vast numbers of stakeholders that would otherwise not be involved in classroom based training.

Some of our clients and partners have provided us with great feedback following their use of a demo link.
Please contact us should you require more information.



Contact us for any advice or assistance in the following areas:

- Enterprise Risk Management
- Emergency and Business Continuity Management
- Governance and Compliance
- Risk Management Software Solutions
- Internal Audit
- Corporate Secretarial
- Environmental Risk Management
- Sustainability Risk Management
- Human Failure Analysis

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Strikes: Are the risks greater before, during or after?

Written by Oliver Laloux

With South Africa experiencing seemingly more frequent and longer lasting events of industrial action or strikes, people often ask questions about when the greatest risks exist. Many believe the actual strike event is in itself the real material risk in that both employers and employees, one hopes, would responsibly aim to avoid until all other avenues have been explored.
Whilst it is true that the industrial action event is, in itself, a possible risk with many uncertain outcomes, many risks also present themselves before and after a strike that should, but rarely do, receive as much attention as the strike itself and its sustainable resolve.
The consequences of industrial action are generally well known and include loss of wages, loss of activity or production and in turn revenue for the employer, possible loss of customers, much hardship and sometimes loss of jobs or organisations supplying and supporting the organisation or industrial sector being affected. Depending on the significance of the event, it can result in reputational damage to the company, loss of life and assets when violence erupts, reputational damage to the unions, the employees, the economy and the way foreigners view our country and economy. Any support structures provided by the employer to the employee, think ARV's for example, are also often affected.

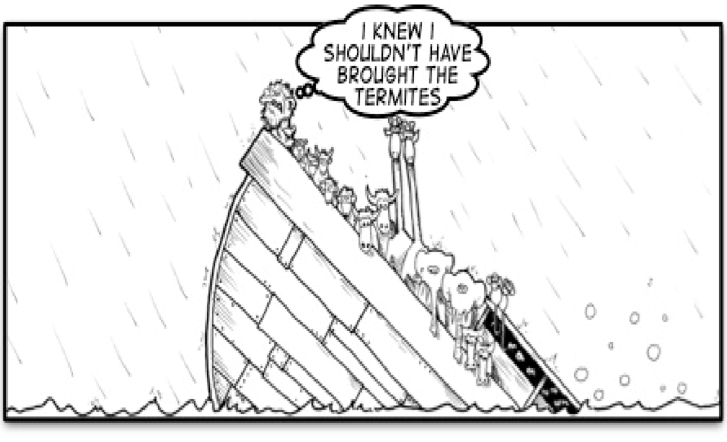
Depending on what sector an organisation is in, there are also many risks before and after a strike. Examples include the ability to effectively 'stop' a production process, sometimes something that can take days or weeks, especially if people are not at work, the ability to make work areas safe, store supplies, materials and items in a semi produced or manufactured state, security of premises and assets. Sometimes, certain parts of a plant or process cannot be completely shut off or shut down, for example, a critical service such as waste collection where supply does not necessarily stop and backlogs result.

Similarly, when the industrial action ends, depending on its length and severity, there exists many risks or uncertainties. These include getting employees back on time, fulfilling medical and health as well as training/ induction requirements, and securing necessary materials and supplies. What if contractors, suppliers or service providers are not available or have gone out of business? What about the condition of assets, machinery, equipment, buildings and facilities, which, if left unoccupied or stagnant for a while, may be in a state of disrepair? Will all work areas be safe? Clearly, it is also highly unlikely that everything will be 'back to normal' the very day or week that employees return to work. In certain sectors of our economy, such as the motor industry and the mining sector, periods of up to six months have been quoted as necessary to ramp operations back up to their state before a strike.

There are many (risk) lessons to be learned from such events, for all involved! The key is to accept that risk and change are inevitably linked. Accepting that the time before a strike, during a strike, and after a strike all represent a change is key. And all should be subject to their own focussed risk identification and evaluation exercises. Not doing so could result in unforeseen consequences and poorly managed risks.

Oliver Laloux has a BSc TRP-Honours and MSc. He is the CEO of Mondial Consultants and a prior director of a large risk consultancy. Oliver has over 18 years' experience in enterprise risk management and project risk management as well as various elements of health, safety, environmental and quality (HSEQ) management. He has been the lead for numerous similar consulting projects, specialist Enterprise Risk Management (ERM) projects, project governance assignments and due diligence surveys in both South Africa and abroad, including clients in various sectors of industry.

Risk Funnies



Q: How can you tell an extroverted Safety Manager?
A: When he talks to you, he looks at your safety shoes instead of his own!

Human Failure Analysis (HFA): Analysing root causes of incidents

Written by: Ernst Snyman

Even with all the systems, processes, barriers and training in place, why are we having incidents?
Why are some of our most experienced operators making fatal, or near-fatal errors?
Why, even after a full incident investigation and completing actions, do we still have repeat incidents?

Organisations will recognise human failure as being a contributor to incidents and accidents and will mention human error in risk/causal descriptions and incident investigation reports, but not many organisations are focussing on analysing human failure on a formal basis. Two kinds of human failure have been identified:

- Unintentional failures: physical errors (not following the correct course of action) and mental errors (doing the incorrect thing while thinking it is correct).
- Intentional failures: violations and knowingly taking short cuts or not following procedures.

In 1990 James T Reason likened the causal factors that contribute to an error to holes in slices of cheese stacked together. In instances where these holes or errors align, the likelihood of serious accidents increases. This became known as the Swiss Cheese Model. The analysis of human failure using the concept of the Swiss Cheese Model expands to analysing accidents in many industries including mining, engineering and health related incidents and accidents.
In using HFA to identify the root causes for an accident, various questions are asked. These are based on the possible causes (holes in the slices of cheese) for the accident in the following areas (slices of cheese):

- Organisational level (management)
- Workplace (supervision)
- Person (operator)

In using the HFA methodology an organisation has the opportunity to not only identify the actual root causes of an accident, but to also to resolve these causes and have an improved chance of avoiding future occurrence of similar accidents elsewhere in the organisation.

To read the full article, click HERE.

Ernst Snyman is a senior risk consultant responsible for risk and risk software solution consulting at Mondial Consultants. He has a BCompt (Hons) degree and is a registered CIA with additional certificates in auditing and assurance. His experience, in addition to being a financial manager previously, include external and internal auditing, and more than 20 years risk consulting locally and abroad in the mining and many other industries, in both the private and public sectors.

Our consultants and their travels

Yusuf Jassat on Saudi Arabia:

Some of the Mondial team were fortunate to work in Saudi Arabia in 2013, and one of their trips was during the Holy month of Ramadan, which, while enlightening, also required some will power! The project team members were required to not eat or drink anything from sunrise to sunset in 45 degree weather which was a great eye opener! The team took time to get used to the life of the city that came alive only after sunset and overall it was a great experience and successful project!

Zanorashe Bwakura on Swaziland:

At a first glance the one thing that captivated me about Swaziland are its lush green mountain ranges and seemingly endless valleys. It's quite amazing how Johannesburg, from where we had come, seemed so close and yet so different.
For the first time ever, I regretted turning down my colleague's offer to drive instead of flying in for our 1 day assignment. Had we driven I would have been witness to the manner in which the country seamlessly meets up with the city. It is quite a spectacle to behold the hustle and bustle of Mbabane then drive a few kilometres in towards Manzini and be enveloped by thriving farms populated with livestock and farmers working hard in anticipation of the next harvest.

Those that don't have an eye for farming will not miss the pride that the people have in the culture and heritage. It finds visual expression through their dress. Whether you are in the hotel lobby or out and about at the flea market or on the streets you will always find something that captures the essence of this mountainous kingdom – beautiful, rich in culture and born out adherence to tradition. I longed to take a piece of that country with me but, a 13 hour risk assessment session got in the way. I shall return and, yes, I will bring my own loin skin and traditional cloth back next time!

Global Risks 2014 - An Excerpt

The World Economic Forum's *Global Risks 2014* report highlights how global risks are not only interconnected, but also have systemic impacts. To manage global risks effectively and build resilience to their impacts, better efforts are needed to understand, measure and foresee the evolution of interdependencies between risks, supplementing traditional risk-management tools with new concepts designed for uncertain environments.

Based on a survey of the World Economic Forum's multi-stakeholder communities, the report maps 31 global risks according to level of concern, likelihood and impact and interconnections among them.

The Ten Global Risks of Highest Concern in 2014 are:

1. Fiscal crises in key economies
2. Structurally high unemployment/ underemployment
3. Water crises
4. Severe income disparity
5. Failure of climate change mitigation and adaptation
6. Greater incidence of extreme weather events (e.g. floods, storms, fires)
7. Global governance failure
8. Food crises
9. Failure of a major financial mechanism/ institution
10. Profound political and social instability

Download the full report here

The World Economic Forum is an International Institution committed to improving the state of the world through public-private cooperation. It engages political, business, academic and other leaders of society in collaborative efforts to shape global, regional and industry agendas.

The Importance of Evaluating Risk Management Maturity

Written by: Vanessa Thurlwell

The growth of risk management in our organisations doesn't always happen evenly. We may be more mature in certain areas, and experience greater challenges in others. We may be highly effective and efficient in developing risk management policies and frameworks, but when the time comes to implement, we experience great obstacles, for example, lack of buy in or resource constraints.

Through identifying the levels of maturity of the different components of risk management, we are able to determine where to focus our efforts and resources and drive continual improvement to build risk management to a maturity level which we believe is appropriate to our organisation.

A phased, or stepped up approach is required to ensure that risk management maturity increases at a steady and sustainable rate and that components are developed and implemented in a structured and logical order that allows for integration into existing organisational processes and operations. To achieve this steady and sustainable growth, it is critical that an organisation evaluate the levels of implementation and performance of risk management within the organisation, at least annually, to map against best practice and provide recommendations for improvement and growth in risk management.

This can be done through the use of a Risk Management Gap Analysis or Maturity Evaluation Model which needs to be based on a comprehensive risk management framework that is multidimensional, holistic and aligned with best practice. requirements. Mondial Consultants uses a Gap Analysis tool that is tailored to an organisation's risk management objectives, in addition to best practice and regulatory requirements.

By focussing on the areas of required growth and attention and required actions, which must be aligned to our organisation's strategy, we are able to grow our risk management maturity and continually improve the integration with the organisation's processes and operations and ensure the optimal value is realised.

To read the full article, click HERE.

Vanessa Thurlwell is a Senior Risk Consultant responsible for Risk Management, Business Continuity Management and training.
Vanessa's specialist skills include advisory and implementation at all phases of the risk management cycle, from analysing risk management maturity and conducting gap analyses against risk frameworks and regulations including King III, ISO 31000, developing risk appetite and risk management frameworks and facilitating risk management activities, such as risk assessments, control self assessments and training.