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How to deal with black swan events and the elephant in the room



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A Black Swan is an event in which the probability of occurrence is low, but the impact is high.

A Black Swan event is where:

- **it is a complete surprise**
- **no one could have imagined its size and scope**
- **people & organisations are shocked by its overwhelming impact**
- **post its occurrence, the 'new normal' bears little or no resemblance to the past**

A Black Swan event is radical, disruptive and a game-changer for those going through it or impacted by it. The world is never quite the same again.

9/11 is an example and the most recent is the COVID-19 virus.





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Known



Known Knowns

Things we are aware of and understand

"We know..."

FACTS = Losses, Issues, Incidents, Events
There is **CERTAINTY**

Known Unknowns

Things we are aware of but don't understand

"We know we don't know ..."

There is still a level of uncertainty so there is **RISK**.
An element of **UNCERTAINTY** remains, but are managing the risk because it is known to us

Unknown

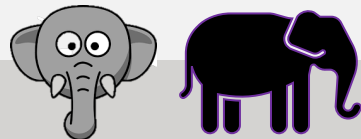


Unknown Knowns

Things we understand but are not aware of.

"We don't know, but somebody does ... and they ain't telling!"

Culture (hide things or raised matters are ignored)
Assumptions that someone else is dealing with it
INTUITION



Unknown Unknowns

Things we are neither aware of nor understand
Future events or situations that are impossible to predict or plan for.

"Who would have thought?"
SUPRISES





How to deal with Black Swans



BE READY - Was your organisation PREPARED & READY?

BE RESPONSIVE - Has your organisation RESPONDED RAPIDLY?

BE RESPONSIBLE - Is your organisation being RESPONSIBLE ?

CHECK RESILIENCE - Will your organisation survive the crisis?

KEEP RUNNING – BAU - Is the organisation continuing to operate, keeping momentum?

RELY ON ROBUST, REGULAR risk **AND** opportunity management

RE-ENGINEER - Are you PREPARING & PLANNING for a new normal?

REFRESH - Will there be a need to refresh the way work is done?





How to deal with Black Swans cont...



Ensure **RELEVANCE** - Will the organisation remain relevant ?

REJUVENATE - If a full re-invention is not required

RESOURCE – With adequate capacity & capability

REFLECT - Is the organisation a learning organisation?

MANAGE REPUTATION - through the crisis?

REPORT WELL - What will/must you tell the market, investors and other stakeholders in your corporate reporting?

BE REALISTIC - Solutions, plans, decisions, scenario's are realistic and not theoretical?

BE REMEMBERED - Will directors leave a legacy – become known for their strong leadership through Covid-19 (and beyond)





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Annexure

Details in Support of Summary

HOW TO DEAL WITH BLACK SWANS



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BE READY

**Was your organisation
PREPARED & READY?**

Business Continuity Management (BCM) Plans – continuity procedures to be used during an emergency/crisis is in place – tested - regularly updated
 Disaster Recovery - Same as above for BCM
 Business Resumption Plans – with a focus on preventative measures and after the dust settles
 Simulations undertaken to determine if storms could be weathered



BE RESPONSIVE

**Has your organisation
RESPONDED
RAPIDLY?**

Executive meeting (immediately) – meet daily
 Steercom/Working Group formed – meet 2x or more per day
 Board informed and meet weekly or more often if required
 – ALL Agile in their decision making?
 Communications
 – Board – good information for decision making
 – Staff – we have got this; this is what is expected of you; we care
 – Customers – e.g. their money is safe; food can be produced
 – Society – the mine will not closed
 – Regulators – organisation is ok, liquid & well capitalised, especially if systemically important
 – Government – support, advisory
 Considered the scenario's – but planned for the worst
 Consulting experts/specialists who've been there done that; input/data for models/scenario's
 Stress test decisions and choices



<p>BE RESPONSIBLE</p> <p>Is your organisation being RESPONSIBLE ?</p>	<p>Approved work from home Masks for staff, health and safety precautions Psychological assistance for any trauma Daily communications to staff – providing hope, direction Provided certainty wherever possible Remuneration cuts, large bonuses curtailed, contributions to support/ solidarity funds Paying municipal accounts Rent if still trading Salaries if still operating for as long as possible</p>
<p>CHECK RESILIENCE</p> <p>Will your organisation survive the crisis?</p>	<p>Is there adequate liquidity and Capital Has organisation weathered storms before ? Being innovative in options available to them:</p> <ul style="list-style-type: none"> – requiring of staff to use their leave – Zero % increases for 2020 – Reductions in executive pay (for 3 months or longer) <p>Resilient in the midst of uncertainty</p>
<p>KEEP RUNNING – BAU</p> <p>Is the organisation continuing to operate?</p>	<p>Separation of R&R where possible to allow BAU to continue and creating capacity for others to manage crisis BCP's and DR's prove effective Communications with key stakeholders are regular, transparent and informative All actions allow for maintaining momentum during extra-ordinary times</p>





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RELY ON ROBUST, REGULAR risk AND opportunity management

Is the Risk Department/CRO inextricably involved?

- attending Board, member of Exco & Working Group
- Daily risk dashboard presented as risks and opportunities transpire and new ones emerge
- Identifying Risk and Opportunities
- Stress testing & Scenario planning
- Revising the Risk Profile – showing immediate revisions and new and emerging downstream risks/domino effect



RE-ENGINEER

Are you PREPARING & PLANNING for a new normal?

Are there early indications that Systems, Processes and Products need to be reengineered/reviced?

Can business be done differently?

Moves from brick and mortar to technology platforms/apps?

Is Digitisation maximised?

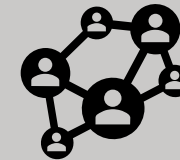
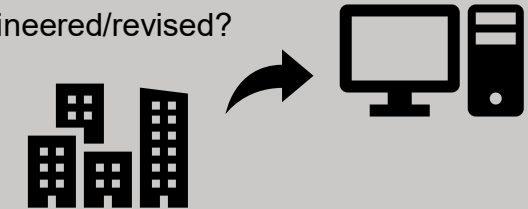
Expense Base examined thoroughly?

Supply Chain considered?

Which Markets you supply?

Revision of the Business Model and the Target Operating Model?

Plan for a new normal



REFRESH

Will there be a need to refresh the way work is done?

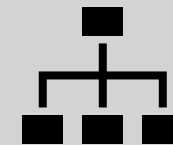
Employ the best, pay higher salaries, employ fewer and more to work at home – reduce rentals; carbon footprint




Communications

Governance

Delegation of Authority

Restructuring; Downsizing; Right sizing



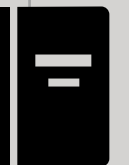
<p>Ensure RELEVANCE</p> <p>Will the organisation remain relevant ?</p>	<p>Are new product offerings required and quickly? Is the organisation sufficiently AGILE? Impact on strategy (and revisions required) What does your organisation look like when all of this is over?</p>	
<p>REJUVENATE</p> <p>If a full re-invention is not required</p>	<p>Brand, Marketing, Advertising Stakeholder engagement Offering Reputation Management How has the competition come through this – are we leading OR lagging?</p> <p>Has it been an eye opener for the organisation – did we become a bit complacent? Same old same old, what worked in the past may no longer be sustainable</p>	
<p>RESOURCE</p> <p>Adequate capacity & capability</p>	<p>Does the organisation have the right skills? Was the Board, Exco, management and staff effective during the crisis? Enough resources, the right resources (skills)?</p>	




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<p>REFLECT</p> <p>Is the organisation a learning organisation?</p>	<p>What are the lessons learnt? Scenario planning <i>Prior to C-19</i> Deep dives were done when bad things happened to other organisations (e.g. Could VW happen in the organisation and why) and corrective actions/controls etc implemented Root Cause Analysis done of significant losses – strived to fix the cause & not the symptom</p>
<p>MANAGE REPUTATION - through the crisis?</p>	<p>Has the organisations reputation been affected? How well (or badly) was the organisation’s reputation managed?</p>
<p>REPORT WELL</p> <p>What will/must you tell the market, investors and other stakeholders?</p>	<p><i>External Corporate Reporting</i></p> <ul style="list-style-type: none"> – Interim Financial Results: Balanced Reporting showing Pre and Post Crisis results – Annual Integrated Report: Balance Reporting, Environment in which organisation operates, Impact on Strategy, Risks & Opportunities and Outlook <p><i>Internal Reporting</i></p> <p>Board and board committee Reports Annual Board effectiveness assessments done including critique of quality of information contained in committee packs</p> <p>Avoid using the crisis as an excuse for unmet targets</p>



<p>BE REALISTIC</p> <p>Solutions, plans, decisions, scenario's are realistic and not theoretical?</p>	<p>Acknowledging and understanding - this is far from over The effects and impacts will continue for a long time to come. Spend good time contemplating these as a board Adapt the strategy to a new reality</p>
<p>BE REMEMBERED</p> <p>Will directors leave a legacy – become known for their strong leadership through Covid-19 (and beyond)</p>	<p>Did you lead from the front? Were you:</p> <ul style="list-style-type: none"> – Decisive? – Supportive? – Timely in your decision making? – Courageous? – Bold? <div style="text-align: right;">  </div>



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Thank you for joining us for today's webinar.

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