BUILDING RESILIENCE IN A NEW GLOBAL ECONOMY

The Journey to Rebuild and Recover

Alcumus®

Safer, Healthier, Stronger

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THE JOURNEY TO REBUILD AND RECOVER

BUILDING A RESILIENT AND SUSTAINABLE FUTURE

As we entered a new decade, 2020 was a year full of possibilities and few could have predicted the watershed moments that have unfolded since.

Many things we regarded as normal everyday life have had to change and adapt, which began with the global COVID-19 pandemic. Living in a turbulent time has become the 'new normal' and the return to the world that was, is unlikely. Moreover, the lasting imprint on the global economy is not something to overlook.

The new future has arrived faster and forced individuals and businesses to look beyond the here and now. Social, climate and geopolitical disruptions are not passing trends that can be ignored. Failure to break with the past and reimagine the world through different eyes will have serious consequences, and decisions made now on the journey to rebuild and recover will be some of the most important in generations.

Government policies and visions of future development are being driven with a core focus to "build back better". At the heart of this approach in the UK, US and Canada is the transition to a more inclusive, more sustainable global economy.

Simply returning to more of the same and coasting along is unsustainable. The world is changing us, accelerated by social and economic inequality, power imbalances and austerity, as well as climate and humanitarian crises.

As a clear sign that sustainability and resilience are not luxuries that can be dealt with in the future, organisations everywhere are recognising the need to reassess their operations more than ever before. A return to 'business as usual' is not the answer.

To build a better future, the emphasis must now shift from defensive measures and short-term goals to a sustainable, inclusive growth agenda that is more equipped to anticipate disruptions.

THE CHALLENGES OF NOT ADAPTING YOUR BUSINESS

| Increased risks and liability | Higher costs and complexities | Inefficient use of operational resources | Negative financial consequences | Reputational damage |

IN OUR GUIDE

We look at some of the key aspects that are driving organisations to become more resilient, flexible, agile and sustainable:

- Supply chain disruption and the need to build stronger and more transparent networks across all tiers

- Third party management reimagined to mitigate and control risks

- How COVID-19 has triggered a fundamental shift in safety culture

- The value of data visibility and technology to better predict risk and drive decision-making

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SUPPLY CHAIN DISRUPTION

While the pandemic knocked many companies off balance, the complexity of global supply chains was already a rising concern. Faced with a multitude of challenges, there was a pressing need for organisations to build long-term resilience and manage a multitude of 'blind spots'.

The multi-layered tiers across the supply chain, coupled with fast-moving markets, had begun to expose weaknesses that should have been much higher up the risk agenda even before the pandemic.

In some industries, this perfect storm has driven businesses to a breaking point and left many struggling to revitalise supply chains and mitigate the disruption caused.

From production delays, transportation hold-ups, fragile trading relationships to labour shortages and rising costs, businesses need to act now to build resilience for the future.

Taking a short-term view of supply chain risk is a costly option, evident in Alcumus research (2021) across 450 medium and large UK businesses[1], that found supplier performance had adversely impacted over three quarters of businesses.

The financial cost and loss of revenue due to supply chain disruptions was also reported by 16.7% of organisations as "severe" according to The Business Continuity Institute (BCI).

These findings may account for BDO's survey of 600 companies (ranging in size between $100 million and $3 billion in annual revenue) finding that supply chain disruption is the key business risk in 2022 at 84%, ahead of talent shortage (79%) and economic volatility (78%).

At the same time, a lack of visibility across supply chains is a key risk that has become more challenging, with almost 40% of businesses unable to verify the credentials of suppliers over the last two years.

To protect against future disruptions, organisations need to expand the scope of supply chain risk beyond the more traditional range of elements. Now is the time to think about what might come next and factor in sustained interruptions as well as social, climate and geopolitical disruptions.

ORGANISATIONS EXPERIENCING 10 OR MORE DISRUPTIONS

2019
4.8%

2020
27.8%

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MANAGING SUPPLY CHAIN RISK

To build a more resilient and stronger supply chain, organisations now need to think in terms of both long-recognised supplier risks and potential future threats. These should factor in things such as:

Production, transport and market uncertainties	**Risk of stagflation and rising economic crisis**	**Environment, Social and Governance (ESG) and responsible practices**	**Natural disasters**
Changing regulatory requirements	**COVID-19 continued disruption**	**Working conditions and health and safety**	**Global trade tensions**

Ever-increasing datasets, which are fast-becoming complex and unmanageable, inevitably will increase errors and vulnerabilities for organisations. No longer a costly afterthought, investment in digital technologies will help businesses anticipate disruptions, understand impacts and make quick decisions to limit ongoing volatile business conditions. Those organisations that embrace technological innovation will be much better placed to drive sustained growth and prepare for future challenges.

The key to managing supply chain risk more effectively will mean that organisations need to become more flexible and scalable to respond to whatever comes next. Increasingly, technology is being used to predict, monitor, record, analyse and report on supply chain disruptions.

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THIRD PARTY MANAGEMENT

Outsourcing to third parties is a go-to solution for organisations across a variety of industries as a way of streamlining processes and working more efficiently. But the risk implications need to be balanced with the benefits of opting to outsource.

A host of factors have contributed to the trend to outsource, such as permanent employee hiring costs, the need for competitive advantage and faster time to market, resource shortages and access to specialist skills.

In fact, Gartner research shows that 60% of organisations were working with more than 1,000 third parties in 2019. However, in today's outsourced environment, organisations that rely on external relationships need to manage multiple risks, including strategic, reputational, regulatory, information security and financial risks.

New risks arising from COVID-19 and global conflicts as well as a range of Environmental, Social and Governance (ESG) factors, have combined to make gaining real-time visibility more important than ever before.

This needs to go beyond just an initial risk assessment and simple compliance. Even if your business or the third parties you work with are not required by legislation, such as in the US market, preventive steps and due diligence should be a minimum to protect your operations and avoid potential third party risks.

Consistently monitoring risk factors is essential to business performance and resilience. Which is why organisations recognise that a more comprehensive approach to third party management is essential, not only to comply with regulations but also to protect business continuity, avoid unethical practices, maintain a safe and healthy working environment and manage disruptions more effectively.

IN OUR 2020 SURVEY, THE FOLLOWING WAS HIGHLIGHTED:
(Benchmarking Contractor Management[2])

Assessing contractors and suppliers for health and safety compliance was important according to **100% of respondents**

In addition, ethical and sustainable compliance was **important to 88%** of respondents, **rising during the first lockdown to 92%**

With an increasing dependence on working with multiple suppliers and contractors, the pressure to pre-qualify and verify the third party businesses you work with has intensified. The need to assess various risk categories does not end at the onboarding process; it's a continual cycle that needs to be monitored on a frequent basis.

To identify potential issues earlier and address them before it is too late, policies, codes of conduct, processes, controls, assessments and audits should be core to managing third party relationships. Software also has the potential to verify the compliance of contractors and suppliers and provide insight through reporting, analytics and visibility into all stages of work with third parties.

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MANAGING THIRD PARTY RISK

Although many organisations had long-established third party risk management structures in place, COVID-19 highlighted unanticipated gaps and vulnerabilities when keeping pace with expanding third party networks.

With new and emerging risks of working with suppliers and contractors, organisations need to invest more in building third party management capabilities to manage the 'new normal' and become more agile.

Moving beyond a snapshot view will help to make sure that your business, contractors and suppliers work safely and ethically to best manage and mitigate risk exposures.

From sourcing, procuring, and contracting through to the ongoing work provided by third parties, there are a lot of factors to take into consideration:

- Is there visibility of all contractors and suppliers in your supply chain?
- Are you confident that they comply with the relevant regulatory and legal requirements, or meet best practice standards?
- Are you routinely monitoring the health and safety of contractors and suppliers?
- Are regular assessments in place to identify the operational, ethical and financial risk of your contractors and suppliers?

51%

of organisations were exposed to one or more third party risk incidents during the COVID-19 pandemic.

**(Deloitte LLP third party risk management survey 2021)**

49%

have used technology for due diligence and monitoring processes to access real-time intelligence.

(Deloitte LLP third party risk management survey 2021)

The foundation for an effective risk management framework should be based on your organisation's regulatory requirements, acceptable level of risk, business processes, compliance requirements and overall risk management strategy. As a minimum you should:

- Plan and identify risks

- Conduct due diligence prior to third party selection

- Include contract clauses to mitigate risk exposure

- Assign clear roles and responsibilities for managing third party relationships

- Maintain records digitally to facilitate oversight, reporting and metrics

- Conduct on-going monitoring of third party relationships, focusing on those who pose a higher risk

- Implement contingency planning in the event of the failure of a third party
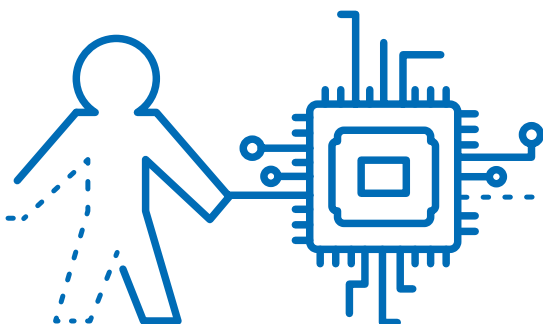
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BUILDING A SAFETY CULTURE

Every person wants to feel safe in their day-to-day life, whether that be at work or at home. And while nobody goes to work to get injured or become unwell, the reality is that businesses need to do more to create safer workplaces and improve health, safety and wellbeing.

Where and how we work has fundamentally changed, triggered by the shift to remote working, dispersed teams, modified workspaces and flexible working as a result of COVID-19. Altering our physical workplaces has increased the complexities of managing health, safety and wellbeing. At the same time, businesses have had to broaden their perspective on protecting their workforce. These changing viewpoints have created the need re-think not only how to manage safety risk, but to build stronger safety cultures in the months and years ahead.

> **At its simplest, the health, safety and wellbeing of workers should go beyond just the legal obligations for any organisation.**

300
MILLION WORKERS
feel they cannot report safety issues to their employers without fear of punishment. That's despite workplaces with higher worker engagement having:

64%
FEWER SAFETY INCIDENTS

58%
LESS HOSPITALISATIONS

WHY?

Because organisations cannot be successful if they don't have healthy workers. However, challenges remain:

2019 saw the largest number in fatal occupational injuries since **2007**

(US Bureau of Labour Statistics)

2.3 MILLION people around the world experienced work-related accidents or diseases

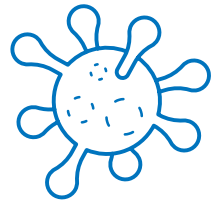**340 MILLION** occupational accidents

160 MILLION work-related illnesses annually

(The International Labour Organisation)

645,000 WORKERS said their work-related illness was caused or made worse by the pandemic

70% of these related to stress, depression or anxiety

As well as mitigating the risks of injuries, accidents and incidents of ill-health, investing in building a strong safety culture provides benefit in other areas, such as credibility and reputation, morale and wellbeing of employees and retention rates.

The scope of the problem needs to move from a reactive to proactive approach with a measurable reduction to ensure ongoing improvement. It also makes good business sense, especially as the financial and indirect costs of getting it wrong continues to rise.

£26.9 MILLION Prosecutions cost £26.9 million in fines where a conviction was achieved

(Health and Safety Executive annual statistics on work-related health and safety 2020/2021)

$4-6 USD FOR EVERY DOLLAR INVESTED

According to the Occupational Safety and Health Administration (OSHA), studies suggest that organisations can save between $4-6 USD for every dollar invested

35% INCREASE Average fine per case increased by 35% from £107,000 to £145,000

(Health and Safety Executive annual statistics on work-related health and safety 2020/2021)

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STRENGTHENING SAFETY CULTURE

Making health and safety a priority is as valuable as any other investment your business makes and should not be viewed as an unnecessary overhead. At the same time, mental health is just as important as physical health with the rate of workplace-related stress consistently rising.

While taking the necessary steps to protect people from harm and promote wellbeing is more important than ever before, building a safety conscious culture needs leadership commitment and empowered workers. Policies alone are not enough to change behaviour and transform a safety culture.

Here are some of the proactive steps your organisation can take towards strengthening your safety culture:

Step 1 - Ensure senior leadership are investing in safety and are fully engaged in delivering positive safety outcomes and promoting the value this brings to the business

Step 2 - Widen your scope to include contractors or suppliers who are deemed 'low risk', because safety incident rates are typically three times higher for non-permanent workers

Step 3 - Communicate and involve your team members to connect the workforce and improve safety culture

Step 4 - Provide training resources and training programmes so that employees embrace safety culture more readily and can maintain workplace safety

Step 5 - Have the right experts in place and use technology to take your health and safety strategy from reactive to proactive with a measurable reduction in accidents and work-related incidents

So, what does a positive culture of safety look like? Although the traits may differ across organisations, those with a strong safety culture share key characteristics, where:

- Employee safety is valued by leaders

- There is a commitment to changing the workplace for the better

- Employees are empowered to take action

- Employees take ownership of their own safety and team members

- Investment is made to promote safe procedures, programmes and equipment

Best practices and expectations are consistently communicated

MOVING FORWARD >>>>>>
DATA VISIBILITY TO EXPOSE RISK

Now more than ever, global organisations need to evolve faster to ensure business continuity, growth and sustainability. But when it comes to how organisations can achieve this, what is driving operational decisions and how are risks being managed?

What does your organisation use to support decision-making or manage risk?
Gut feel? Data?

Despite the challenges of the past two years and new risks that have materialised, a worrying fact is that just 48% of companies agree that information is highly valued for decision-making and 46% treat it as an asset in their organisation (BI & Analytics Survey).

As organisations reimagine their operations, working environments and risk approach so that they are fit for the 'new normal', tech-driven data and data visibility are key to understanding the true story behind the scenes.

Given that only half of all decisions are based on information and only half the available data is being used to support decision-making, there is a real and immediate need to focus on unlocking the potential that data can provide.

Increasingly, businesses are turning to technology to evolve faster and become more resilient, recognising that data visibility is the key to intelligent analysis and timely, accurate decision-making.

Using technology can help to track, manage, report and improve outcomes in meeting goals such as:

✓ Compliance with relevant regulations and obligations

✓ Informed decision-making

✓ Demonstrating due diligence

✓ Promoting a sustainable culture

✓ Cost reduction

✓ Preventing direct and indirect costs of quality failures

✓ Demonstrating credibility and winning new clients

✓ Reducing risks around health and safety, environmental, forced labour, diversity, equality, workplace wellbeing and financial stability

✓ Managing reputation

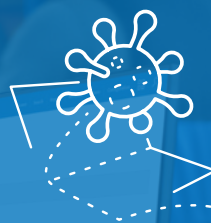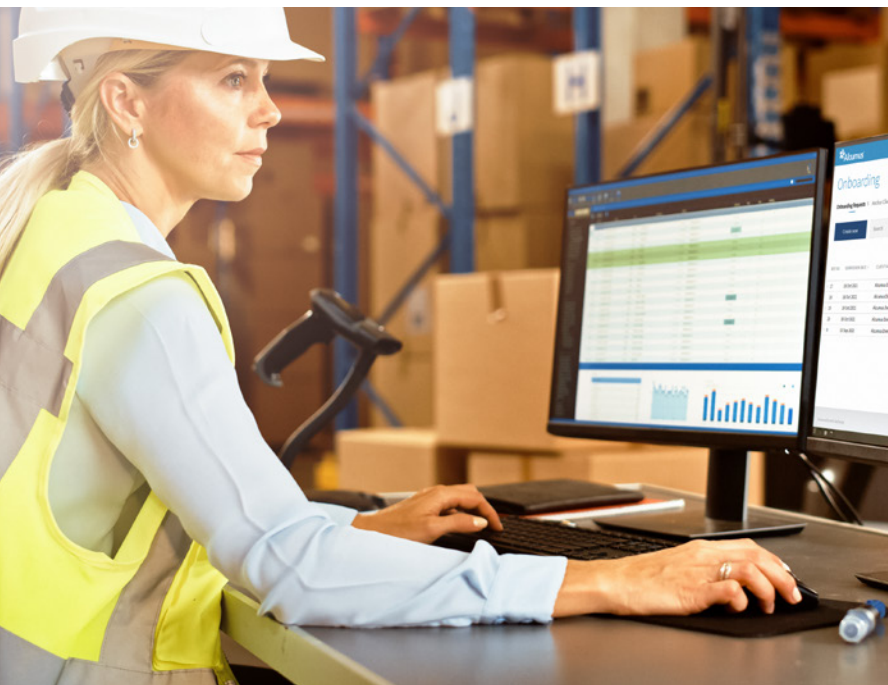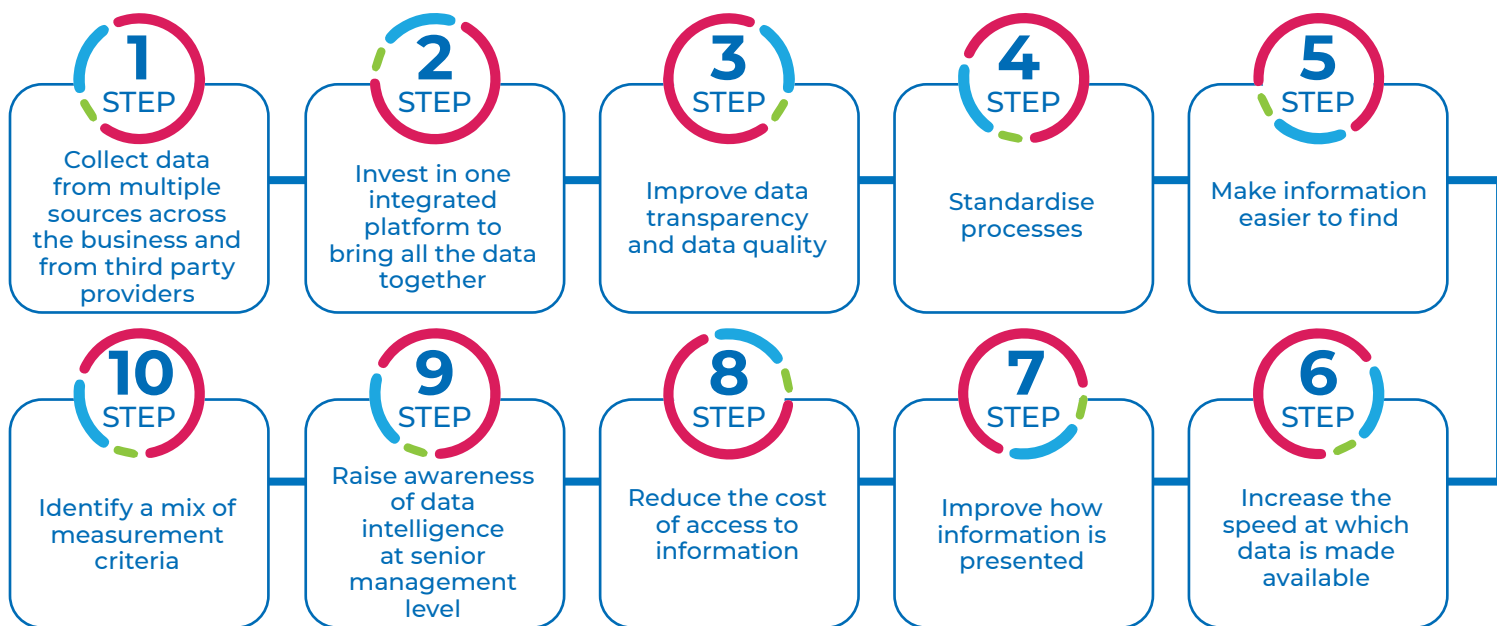✓ Auditing continuous improvement

✓ Reducing administrative time

50%
An average organisation only uses 50% of their available data for decision-making

(BI & Analytics Survey)

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ONE TRUE VIEW

Businesses need to use the challenges of the past few years as an opportunity to reset their operations with digital capabilities and renew operating models to increase operational efficiency and effectiveness. Doing so will enable them to emerge stronger and more resilient to future disruptions.

With more data insight and visibility, organisations and the C-suite can have one true view of risk and operations and will be able to make informed decisions, take positive action and drive constructive change.

To build a data-driven culture, organisations need to start by taking these steps:

1 STEP
Collect data from multiple sources across the business and from third party providers

2 STEP
Invest in one integrated platform to bring all the data together

3 STEP
Improve data transparency and data quality

4 STEP
Standardise processes

5 STEP
Make information easier to find

10 STEP
Identify a mix of measurement criteria

9 STEP
Raise awareness of data intelligence at senior management level

8 STEP
Reduce the cost of access to information

7 STEP
Improve how information is presented

6 STEP
Increase the speed at which data is made available

Responses to COVID-19 has sped up digital adoption of customer and supply chain interactions and internal operations by **three to four years.**

(McKinsey Global Survey of executives 2020)

These core aspects will then create the platform to build a competitive advantage:

- **PRODUCTIVITY ADVANTAGE:** by automating manual processes and streamlining data, businesses will be more efficient, less resource reliant and will reduce costs

- **CUSTOMER ADVANTAGE:** with access to customer data, businesses are in a better place to monitor for shifts in demand and identify emerging customer needs

- **TIMELY RESPONSE ADVANTAGE:** by leveraging data-driven insights, businesses can make decisions faster, act on them faster and adapt or change
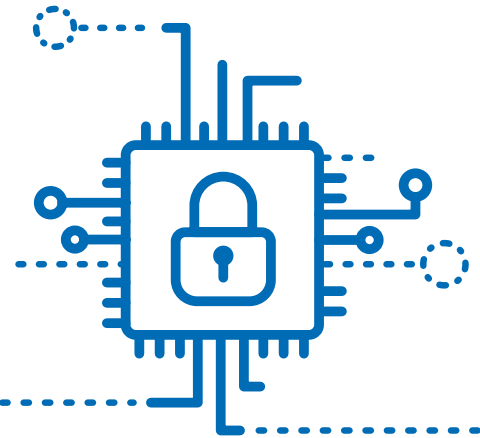
> **Technology and data are powerful when used to their full capability and ultimately will make the chances of survival in a new global economy possible.**

58%

Data-driven organisations are **58% more likely to exceed revenue goals** compared to non-data driven peers

(Forrester Consulting study 2020)

▶▶▶CONCLUSION▶▶▶

BUILDING A RESILIENT AND SUSTAINABLE FUTURE

Organisations should pay careful attention to the words from Isabelle Durant, the deputy secretary-general of United Nations Conference on Trade and Development, that "a successful post-pandemic world must be marked by greater resilience".

What the world has experienced, and the challenges that will continue, are not just short-term crises. Each present long-lasting implications for how people work and how global businesses operate.

The new reality is increasingly being defined by new risks and multi-layered disruptions, so businesses must evolve to recover more quickly in order to thrive in the future.

A change in thinking, planning, and investing is necessary. The emphasis must now shift to a forward-looking approach that anticipates disruption rather than simply reacting. Defensive measures and short-term goals will not achieve the sustainable, inclusive growth agenda that is needed.

For businesses, resilience will depend on adaptability and decisiveness across a number of key areas covered in this guide so that:

- Supply chain networks emerge stronger and more transparent

- Third party risk is managed more holistically across multiple fronts

- A positive safety culture becomes a core value in the workplace

- Data and technology drive decision-making and mitigate risks and disruptions

While businesses must balance profit with the need for sustainability, these goals should not be conflicting. The right choices now must be clear, credible and enduring to build a resilient, inclusive and sustainable economy of the future.

To build a better future, organisations and governments must act on this moment to ensure that rebuilding measures lay the foundations towards a more sustainable economy.

> Now is the time to think about what might come next and the actions needed in the short, medium and longer term to achieve building resilience in a new global economy.

Find out how our technology, people and expertise anticipate, manage and mitigate risks to protect people, organisations and our planet.

Please speak to one of our Alcumus representatives today or visit alcumus.com/en-gb/

[1] Source: Alcumus Supply Chain Compliance and Resilience Research, December 2021 of 450 medium and large UK businesses

[2] Source: Research commissioned with the Safety and Health Practitioner of Environment, Health and Safety (EHS) managers across UK businesses, March and May 2020

[3] Bureau of Labor Statistics US Department of Labor, News Release, Dec. 2020

ABOUT ALCUMUS

Alcumus is a leading provider of technology-led risk management solutions providing clients with advice, expertise and support to help them identify and mitigate risks, navigate compliance and keep people safe. It supports clients with a wide range of risk management services, including products across Supply Chain Management, EHS Software, and Asset Inspection Systems.

Our people are at the heart of our business, building strong relationships with our clients to understand their needs, minimise risks and navigate compliance through our in-depth knowledge of your sector, regulations and challenges.

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