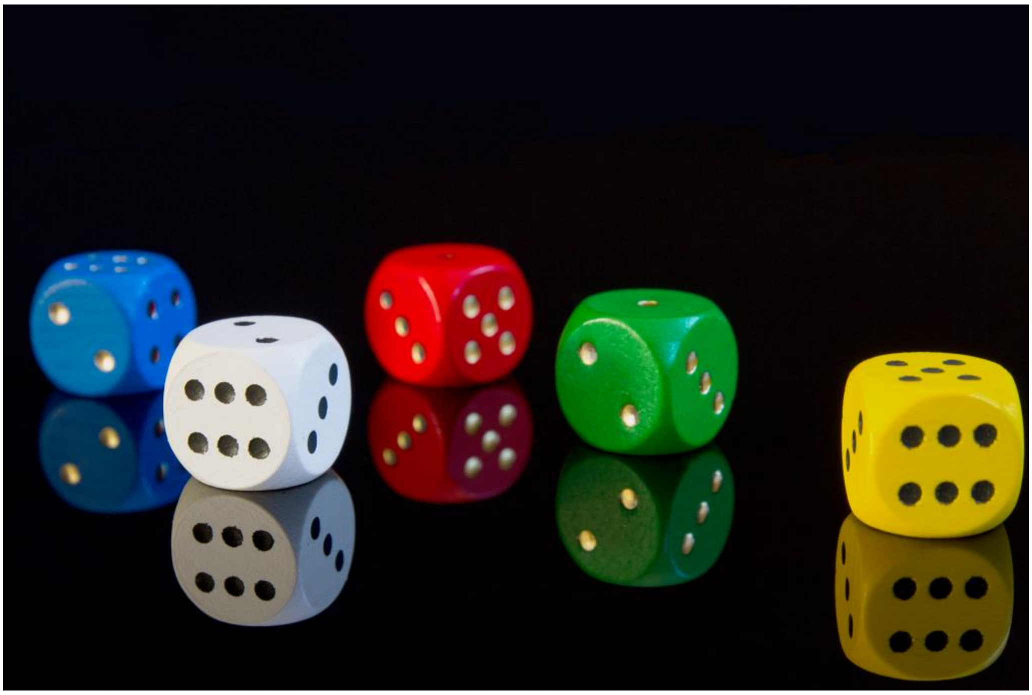
Risk and Reputation

At several points in 2020 we reflected on the role of Boards in managing risk and reputation and how this can impact the future of organisations.

Do we really understand risk?



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A recent report from the National Audit Office revealed the government failed to understand the risk to the Treasury for the HS2 rail project from the outset in 2010. Shortly afterwards the Defence Minister openly disagreed with the Prime Minister over the risk posed by Huawei for its 5G roll out for the UK. Two major infrastructure projects within which the risk assessment was controversial, to say the least. What does this tell us about the way we view the future and the way we treat risk?

Forecasting public demand for faster rail travel or faster broadband should not be too challenging, however policy makers rarely predict the future accurately – there is more scope for getting the numbers wrong than getting them right, hence the risk-aversion default. Public service demand could be very different in forty or fifty years' time, yet assumptions are often made using a cost-benefit analysis driven by a political timetable seeking 'quick-wins' and positive media coverage.

We view the future in terms of what we know. The accuracy of any forecast declines with distance into the future, we can be more certain about tomorrow than a month away or five years ahead. This is why scenario planning and horizon scanning are so important to policy makers, those tasked with making decisions about projects whose benefits will be felt forty or fifty years into the future. The challenge is to factor in increasing uncertainty with time as a variable without succumbing to *'the self-delusion that the future is fully measurable and has been tamed'* (Skidelsky).

Risk is only a forecasting exercise around future uncertainty, an estimate of a future outcome, there can be no definitive answer on risk as it lies in an unknowable future. In the same way strategy indicates future direction, risk identifies future uncertainty so an assessment of risk is always an estimate of an unknown future. There are only two types of risk forecast: lucky and wrong. The discipline of risk management focuses on procedures to manage or mitigate future impacts, but there are many possible future outcomes, the challenge is to identify the most desirable.

As the future cannot be controlled, the term risk management is in reality an oxymoron. Risk has become an important topic on the boardroom agenda and expanded into a management discipline; but it is not a profession; a Chief Risk Officer (CRO) or Chair of the Risk Committee will probably have a career in another discipline: finance, internal audit, business assurance, compliance or Health & Safety. There is no professional body, the Institute of Risk Management (IRM) promotes Enterprise Risk Management, but this covers operational risk as a control function, not strategic risk as enterprise vision and how to cope with uncertainty. Boards manufacture certainty in order to secure a mandate to operate. Their certainty aims to demonstrate competence, however as many investors have 'skin in the game' there is little appetite to question the basis for such certainty. A risk committee, department or office informs and advises the board but in so doing can all too easily be seen as point of expertise, and awarded undeserved deference for what is only one perspective on a future outcome. The risk advisory body should not be mistaken for Nostradamus, and boards need to retain their ownership of risk perception.

Boards are made up of a group of talented directors and NEDs with different views about the future, some optimistic some pessimistic, yet they are collectively charged with setting risk appetite. Agreeing appetite for risk is a challenge, a concept that is as helpful as defining how hungry you will be next week. How much time do boards really allocate to forecasting future scenarios or likely time horizons? Time spent debating risk is often seen as unprofitable given the absence of any definitive answer, valuable board time could be better spent on simpler yes/no or go/no go decisions where certainty and decisiveness are more rewarding. Risk is often regarded as a 'Wicked' problem or TD3 issue: Too Difficult To Do Today!

The word 'Risk' derives from the Italian verb 'to dare'. In the middle ages traders dared to explore new markets in search of gain, and embraced risk to achieve this. Risk is thus a price for gain and should be accepted as an operational cost, however risk aversion is a human weakness that plagues financial decisions and distorts our propensity for risk. *'How can we avoid loss'* is a more common default than '*How much could we gain'*. We need to make bolder decisions about the future and embrace risk as a strategy enabler: entrepreneurs are optimists.

The risk of doing something has always been set against the risk of not doing it, but the time horizon for any cost-benefit analysis is the key, especially in health, transport and education spending. Much depends on the future one is envisioning and the circumstances that impact this view. Sadly short-termism is prevalent as is factional interest in contrast to the wider public benefit. The future deserves more foresight attention, and reducing uncertainty is where this should start.

Written by Garry Honey, SAMI Associate and founder of Chiron Risk
Published 5 February 2020

Business and the Public Good: Part 1

Image by Gerd Altmann from Pixabay

Coronavirus, and its effect on our personal, family and working lives, is leading many of us to think differently about things we have previously taken for granted or not thought much about. Life, family and our own financial security seem now to matter so much more. People are wondering what life will be like in future: will things go back to normal or will things be different in future? Of course I don't know the answer, but my guess is that a new normal will be established. I hope that new normal will involve more of us being more sensitive to other people's needs and doing our bit to helping make the world a better place. In this and a following blogpost I want to explore the role of business in this. Here I outline what I see as the challenge. In the second post I suggest some ways of addressing it.

The last 20 years have offered plenty of evidence of businesses, and those people running them, putting themselves first and second. We saw eye watering bonuses paid to financial workers, followed by mind boggling sums to bail out banks and followed by massive fines to banks for various crimes including money laundering, mis-selling and manipulation of interest rates. Few protested, our capacity for outrage must have been dulled. There was a sense of resigned acceptance that there was little anyone can do about it. Such acceptance was tempered with a growing cynicism and lack of trust in finance.

Outside financial services, in the UK, journalists were found to have hacked the private phone conversations of celebrities, politicians and members of the public. Toyota settled $1.3 billion to resolve a criminal investigation into safety, admitting it misled United States consumers by concealing and making deceptive statements over safety issues that caused cars to accelerate as drivers tried to slow them down. Big Phama has been fined £billions for criminal activities and Volkswagen's cheated emissions tests.

Were these isolated incidents or is/was there a systemic problem? We should accept that mistakes happen and that complex technical equipment can have safety defects. We should not accept serious ethical failure; what we need is a systemic mechanism to prevent it. My suggestion to help bring this about is for businesses to consider how they contribute to society, the 'public good', and for large companies' annual reports to report publically, and in a balanced way, how boards consider their companies have so contributed. Many businesses create value for society but some do not. Financial statements do not distinguish between profit made by creating value and profit made from taking value created by others. That should change.

Business cannot exist without society and society wants or needs business to raise standards of well-being. In an ideal world there would be a ying-yang relationship between business and society, where business benefits society and society enables responsible businesses to flourish. Unfortunately some people in business seem to see society as, in effect, their prey to be devoured which fits well with the Western 'we want it now' culture. The idea of a hunter who eats what s/he kills makes a poor metaphor for business – it corrodes trust; a better one is of a farmer who grows food and husbands livestock while looking after the environment. This approach builds trust which is good for business and for society, and it necessitates a long term approach.

RULES AND REGULATION

How could we make business leaders more like farmers? When something bad happens, the response of governments, indeed almost anyone in a position of authority, is to think about more rules. But having more rules is not the answer; the financial crisis exposed their limitations. People game rules. A compliance mind-set can mean that people do not have to worry about whether something is right or wrong or even sensible. We may have reached a point where there are just too many laws and rules. Perhaps we need more emphasis on 'common law' where actions are interpreted according to precedent, principle and common sense rather than compliance.

MEASURING VALUE

Adam Smith, the 18th century Scottish economist, philosopher and author, divided incomes into profit, wage, and rent. In profit-seeking behaviour, entities create value in a competitive environment by engaging in mutually beneficial transactions. He wrote in Wealth of Nations of an invisible hand which promotes the public good irrespective of the intention of the profit seekers. Rent, by contrast, transfers wealth from one party to another and does not in itself contribute to value creation. Its positive aspect is that rent can help assets be more efficiently used. So unproductive land can be let to a farmer who can grow food. Another form of rent is economic rent where wealth is transferred from one party to another through the latter being able to benefit from special privileges conferred by favourable or ill-conceived regulation. Such privilege might include benefits from monopoly or oligopoly, quota, licence, regulation and state support. Economic rent is where money earned exceeds that which is economically or socially necessary; it does not add value, nor does it serve the public good.

These days, because legislation and regulation are so entwined with business, it is often hard to distinguish the profit from value creating activity from profit earned from economic rent. Economic rent is likely to feature wherever ‘profits’ are made that are higher than can be explained by competitive forces alone. This clearly applied to the profitability of the banking sector in 2006. How else could you explain global banking profits of $788 billion, over $150 billion greater than oil, gas and coal, and global banking profits per employee that were 26 times higher than the average of other industries? Such profitability was due in large part to economic rent allowed by market imperfections such as lack of competition, information asymmetry, and state guarantees to depositors.

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Published 22 April 2020

Business and the Public Good - Part 2

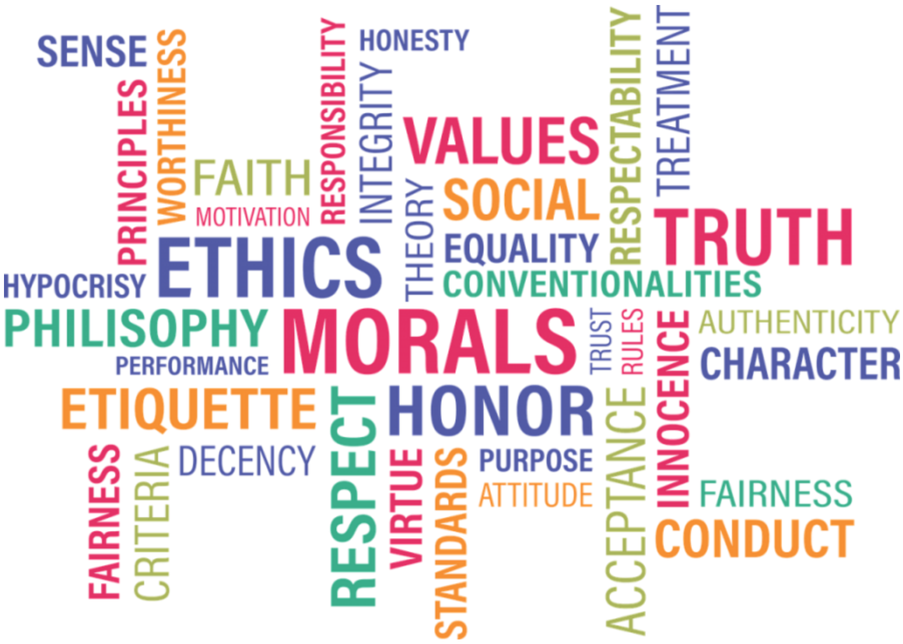

Image by Mary Pahlke from Pixabay

In a previous blogpost, I outlined the problems caused by business narrowly focussing on their own interests. Here I look at some ways forward.

THE PUBLIC GOOD

Adam Smith said that ‘by pursuing his own interest a person frequently promotes the interest of society more effectually than when he really intends to promote it.’ He was cynical about the good done by people who purported to trade for the public good.

We live in an age of greater transparency and openness. If the law or accounting standards expected companies both to operate in the public good as they make profits and report publicly how they have done so, then companies will do that. There is no need to specify how much public good is done or how they should do it. Boards can decide how they think they can best describe how the company generates public good. Readers can judge. Quality reporting about what is done should mean that companies which are effective in both in making profit and doing public good will be rewarded. They will have access to cheaper capital, the most talented employees will want to work for them and people and businesses alike will want to do business with them. It is necessary of course that reporting must be balanced, true and understandable and that glib, empty or misleading statements are dealt with. Companies must restrain themselves from using such reporting as a public relations

exercise. Our social media age should help to ensure that any such misleading reporting is quickly highlighted.
It may be better not to define the public good because definition could invoke Goodhart's Law (see footnote) and encourage people to game it. The public good is of course not just about economic good. While economic well-being is nice, other things are equally if not more important. Bhutan has the concept of Gross National Happiness and, theoretically at least, is governed so as to raise happiness. Unlike GDP, it is not one target but a basket of targets across nine areas so its susceptibility to Goodhart's Law should be limited.

The concept of public good gives a clear moral steer or compass but tremendous flexibility in how companies can contribute. This idea may sound radical but the UK company law framework already went some way towards this when it adopted the enlightened shareholder concept in the UK Companies Act 2006. The Act, in section 172, conferred a duty on directors to promote the success of the company and, in the course of making their decisions to that end, they are required by law to 'have regard' to:

1. The likely consequences of any decision in the long term.
2. The interests of the company's employees.
3. The need to foster the company's business relationships with suppliers, customers and others.
4. The impact of the company's operations on the community and the environment.
5. The desirability of the company maintaining a reputation for high standards of business conduct.
6. The need to act fairly as between members of the company.

It is implicit that, in having such regard, directors do not cause the company to harm the community or the environment. An amendment to include explicit reference to the public good would merely provide a subtle but vital direction in legislation to boards and companies. Section 172 would seem to have had very little influence on boardroom thinking but this should be changing as the Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they have had regard to these matters in performing their duty to promote the success of the company. This requirement has also been incorporated in Provision 6 of the 2018 UK Corporate Governance Code.

THE ROLE OF SHAREHOLDERS

At present this legislation can only be enforced by shareholders. Shareholders have never attempted to enforce this through the courts and it is not clear how, if at all, boards pay attention to it.

Given that a substantial proportion of the shares of large, listed companies is owned by institutional shareholders investing on behalf of millions of people, it is reasonable to expect such companies to have regard for the public good. Most smaller businesses do this already. To a great extent, they rely on trust and common sense within the business to operate rather than on relying on detailed internal controls. They are generally formed and evolve to meet a market need and in so doing contribute to the public good through Adam Smith's invisible hand; they are not usually able to exploit the benefits of oligopoly or game regulation.
Institutional shareholders should be encouraged to take an active interest in how their investee companies work in the public good.

BETTER REGULATION

Considering the public good would also provide a directional steer for regulation and supervision and could enable considerable reduction in regulatory complexity. Supervisory action taken transparently by reference to the public good should be simpler to enforce. A financial institution or company would have a clear test and would know it might have to explain its actions. Surely this would be better than slavishly checking compliance with a regulation which may have unintended and unfortunate consequences.

DOING THE RIGHT THING AND ETHICAL SELF-ASSESSMENT

Before their emissions scandal, we would think of Volkswagen as being a major contributor to the public good – the makers of the first people's car. The revelations about emissions testing do not really change this but they tarnish an otherwise fine reputation. It is unlikely that top management initially approved the use of a device to cheat emissions. We can imagine a situation where clever engineers are engaged in innovation finding new ways to do things. Results are generally rewarded and there may be some pressure to perform. Finding a way to make emissions test results look better may have been more an intellectual and engineering challenge to solve rather than an attempt to deceive. Their supervisors may have been impressed with the engineering cleverness of the solution and not given a thought to the ethics of what they were doing, or at least not thought about the ethics until it was too late.

This is the problem with ethics in companies today and this is the systemic problem. People are too busy to think about ethics and consider whether their actions would be viewed as ethical by people outside the organisation. There is a simple solution and it complements the suggestion that companies report how they contribute to the public good. Companies could introduce a process of ethical self-assessment where workshops are held where staff consider hypothetical dilemmas and consider questions like 'is there anything going on here which would cause embarrassment if it became more widely known?'. Such a process would provide essential time for staff to reflect and consider whether there is anything unethical going on. Asking this simple question at VW in a way that allowed people to answer without fear would almost certainly have resulted in some people answering 'yes'. The workshop facilitators could have found out what was going on and serious problems could be communicated upwards. The holding of such meetings should mean that unethical behaviours are unlikely to happen in the first place. Someone will question if it is the right thing to do before the action or soon enough to prevent damage.

VIRTUE HAS ITS REWARDS

Companies which contribute to the public good and assess their ethical health and explain how they have done so will find favour with shareholders, customers, suppliers and staff. There is an intrinsic satisfaction which most people derive from doing something good. The overall effect should be to promote trust in and outside the workplace which in turn would promote enterprise and lead to a healthier, more prosperous and happier society and reduce the regulatory burden. All this should help economies recover from the Corona Pandemic.

Written by Paul Moxey, SAMI Fellow and Visiting Professor of Corporate Governance at London South Bank University and author of a textbook on corporate governance and risk management. He has chaired the CRSA (Culture, Control and Risk Self-assessment) Forum since 2000. He lectures widely and provides executive education and consulting support on governance, risk management, business ethics and culture. A former financial controller, company secretary and management consultant, from 2001 to early 2015 he was Head of Corporate Governance and Risk Management at ACCA where he was involved in governance developments across the world, including speaking at conferences and other events in five continents as well as a considerable amount of writing. His main work interest is in the behavioural aspects of governance and risk and his last major project at ACCA was to lead an ESRC funded international research study of corporate culture and behaviour.

Footnote*: Any information derived from comparison with social or economic measures can be misleading or dangerous because a measure turned into a target for policy will lose the information content that qualified it to play the role in the first place because people game it. This phenomenon is sometimes known as Goodhart's Law after the economist Charles Goodhart.*

Published 29 April 2020

Existential risk – should we take notice?

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The current pandemic has raised the question about existential risk and our response to it. What exactly is an existential threat anyway? The literal answer is anything that impacts our existence, practically speaking this is any massive environmental or technical event that 'threatens global economic welfare, the resilience of societies, the common good and financial markets' – at least according to a recent article in Responsible Investor magazine examining ESG fund performance.

On a personal level much depends on where you live. If your home is on the slopes of a volcano, in an earthquake zone or in coastal lowland prone to tsunami impact, then you treat existential threats differently to those is metropolitan London, Paris or New York. On a commercial level an existential threat is one that can render your business model obsolete overnight. For any organisation to survive, its rate of learning (adaptation) must be equal to or greater than the rate of change in its environment. If the environment changes and you don't then you could cease to exist.

The pandemic has forced certain sectors to consider existential threats. Many restaurants and cafes require a 70% occupancy level to break-even: if social distancing laws mean that they can only operate at 30% occupancy then they cease to be viable. Some can adapt by switching to take-away or home delivery in the short term, but this is not a long-term solution – unless the owner always planned to move on-line and jettison the overhead cost of retail space and staff. Most of those in hospitality do it for the pleasure of providing good food and good service, happy to leave Deliveroo or Just Eat to their fulfilment offering.

This leads to the question: why do people visit restaurants and cafes? They provide a social benefit that social distancing now deems unacceptable. They don't exist simply to provide food and drink; customers value the ambience and social interaction experience. This is an integral part of the customer value proposition and why take-away food, however tasty in itself can't compete with the dining-out experience. Don't get me started on pubs and their contribution to society as an escape-valve from reality – it really isn't just about the beer.

Should the hospitality industry treat social distancing restrictions as existential risk, given they may not be temporary? Let's look at two industries where existential threats in the form of legal constraints have forced adaptation of the business model: tobacco and gambling. The tobacco industry is heavily regulated in developed 'western' markets with taxes, age limits and health warnings so it has focused on markets in the developing world with less stringent regulation. The product is the same but the market is different. Conversely the gambling industry response to existential threat was the opposite; it changed the product but kept the market. It moved offshore and went on-line, but the same people gamble only they circumvent the local legal restrictions.

Higher education is another sector where the substitute product is not the same as 'the one on the label' or what the customer thought they'd bought. Students who choose to go to a UK university do so not only to acquire a degree but to experience a unique lifestyle and freedoms away from familiar surroundings of childhood. Exposed to new people ideas and challenges they develop valuable personal skills for their future. On-line lectures cannot replace the lecture theatre or tutorial meeting; the experience will be completely devalued. Those who wanted an on-line qualification will already have selected an Open University course, so why are universities short-changing so many students? The answer lies in an inflexible business model predicated on regular fee income.

Transport is another sector where existential risk makes an impact. Bus and train providers have been told to ensure social distancing is practised so that they must run with 10% occupancy. How does this work in the rush hour? Airlines have yet to enforce social distancing, especially budget airlines where the business model works on 95% occupancy. Existential risk has enormous impact on operational logistics for any business sector where the volume of customers cannot be managed without significant alteration to the business model, think budget tourism and package holidays.

This pandemic has shown us what is important and forced us to examine what we take for granted. In AD79 Vesuvius erupted and engulfed Pompeii destroying many valuable possessions of wealthy Roman citizens. It prompted Cicero to reflect on what we need for contentment: *'If you have a garden and a library you have everything you need'.* Lockdown is a reminder of what we really need to exist and existential risk should be viewed within this context.

Written by Garry Honey, SAMI Associate and founder of Chiron Risk
Published 18 June 2020

What becomes of the CBD?

london-2239726_1920

As I get closer to retirement, I reflect on the time spent over the past 45 years in offices. This is especially relevant as the pandemic has led us to question the need for offices, when so much work can be done on-line from home or any other out-of-office environment. What is it that has kept us drawn to offices like moths to a flame? Is it fear of missing out (FOMO) or simply the implicit tyranny of power employers exert with warped logic: presence equals performance? Surely the office as a collection point is redundant in a digital age?

Side stepping the micro-dilemma I move swiftly on to the macro-dilemma, what does this bode for the central business district (CBD) of cities? The collection point for finance and business, the engine of growth for centuries based on the bringing together of buyers and sellers. Not only is this the beating heart of city it is where the wealthiest work, it is also a transport hub bringing in the ambitious wealth aspirants from the suburbs. Public transport policy is based on the idea that people will always need to get to get to a city centre speedily….but will they post pandemic?

The UK government is keen to get people back into offices, ignoring the fact that many employers and employees recognised that this is not essential for effective productivity. Why does a government want people to return to offices and risk spreading a deadly virus? Is it perhaps because the transport network needs passengers, or is perhaps because empty office blocks would pose an embarrassment? It can’t be to save the sandwich bars that serve the daytime city workers.

The mantra of getting back to work fails to address the societal shift begun almost thirty years ago with digital connectivity. Why does the government want kids to go back to school? It’s so parents can get back to work free from domestic distraction, but most parents work from home not offices. The reality is they want the kids out of the house during the day, not that they want to get on the 7.15 to Waterloo. They don’t need to and can save both commuting time and fares. The railway franchise owners must be as nervous as airline owners right now, given steep passenger decline.

The pandemic will pass and face masks will be redundant within a year, but the working habits we form now will endure. More people will work remotely and buy goods and services online. High street retail will continue to suffer, but so too will city centres and transport providers. What will become of our city offices, the most expensive real estate on the board? If the value as a meeting place is redundant with people meeting online, then its spatial significance becomes questionable.

The pandemic will leave its marks on the landscape; maybe empty office blocks will be requisitioned to house the homeless, immigrants or asylum seekers. Maybe the rail hubs will be transformed into skate-parks and quaint cycle lanes as our canals are currently used. One thing is for sure people will get back to work but the office as a focal point is unlikely to make a come-back. Physical presence becomes less relevant, we may even witness the first on-line coup.

At the time of writing only 40% of city workers have returned to central London, compared to 70% in Paris and Madrid, so perhaps this is a London phenomenon. It could be reflection of the degree to which the CBD is integrated within the social fabric of the city, and how much it is a lived-in city of local people compared with a city of international visitors. It could be an indicator of the nature of work in different societies, the relative importance of collective effort and physical presence. It does however signify the end of cities as trading centre where buying and selling was done in person.

The pandemic has completed the liberation of work first begun with the digital commerce over thirty years ago. In so doing it has led us to question the need to 'go into the office' every day, it has however created a new business model of remote working that leaves city centres looking for a new purpose.

Written by Garry Honey, SAMI Associate and founder of Chiron Risk
Published 16 September 2020

Political risk & the right strategy

Image by Free-Photos from Pixabay

Selecting the right risk mitigation strategy is always a matter of choice, the future is uncertain and the default human response tends to be risk aversion. Some uncertainties can be resolved through more knowledge, but others cannot be and these are leap in the dark we call radical uncertainty. Decisions on public health should not be compromised by fears of economic impact, but they are and that is why we don't have a complete lock-down for the second wave of Covid-19.

The latest public health advice in the UK assumes that we are in 'Damage-limitation' mode until a vaccine can be approved and rolled out. Talk of an imminent vaccine, like that of a moon-shot testing programme, might be good for public morale and, indeed, the public is becoming wary of hollow claims. Should we perhaps be considering a 'Coping strategy' that allows us to live with the virus rather than rely on promises of eradication?

During the last six months, scientific knowledge of Covid 19 has increased significantly, we know how it attaches to cells, how it spreads within the body and of course the type of victim it selects as a host. A vaccine should disable the virus attachment mechanism, but in the meantime what advice to the elderly and those with 'pre-existing health conditions' who are most susceptible to it? We know the common vulnerability is a weakened immunity system, so why not try to strengthen it?

Our health system has always been more curative than preventative, reactive rather than positive, so there is little attention to boosting immunity. Immunology tells us wellbeing is not just about eating five fruit and veg a day or popping a daily vitamin C or zinc tablet, the subject is not promoted outside of nutrition. How many people in the vulnerable category actually take immune bosting supplements like Quercetin and Bromelain? How many know of their existence?

Natural health shops supply a vast range of supplements that can boost the immune system but customers need to do a lot of research on their specific benefits. Health claims are strictly controlled by drug companies and many effective immune boosting supplements are prevented from making claims because they have not been verified in official medical tests. This doesn't mean they can't strengthen a fragile or compromised immune system, it just means they cannot say so.

Nobody would disagree that prevention is better than cure, so now we know which sectors of society are at risk, we should be able to help them build immunity or at least promote an effective T-cells response to virus contact. This is what our immune system is designed to do; it just needs help, whether confronting a virus, cancer or similar pathogen. There is an opportunity to be much more selective in our public protection strategy than is currently being proposed based on industry or town. It needs to be better targeted with support based on building personal immunity.

We are told that barely 7% of the population has the virus and herd immunity is unachievable, so personal protection becomes a serious option. Rather that shielding the vulnerable in isolation hoping they don't catch the virus, far better to assume they will catch it but need to be fortified to tackle it. This requires a change of mind-set about coping with the situation that is unfolding. It also requires a commitment to boost immunity using known natural ingredients like plant sterols, flavonoids and polyphenols, something that could be done with the right strategy.

Adopting prevention strategies is fundamental in many settings. Preventative maintenance, for example, is becoming more common as IoT and AI improve prediction. Fitness/wellness trackers will soon start to bring this concept into the healthcare field."

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Published 30 September 2020

Compromise risk: ‘cake-and- eat-it’ syndrome

Image by Enrique Meseguer from Pixabay

Viral epidemics have been part of human civilisation for centuries. Black Death in the fourteenth and Plague in the seventeenth, are only the most famous but there were many more local outbreaks. Europe found that transmission started in ports like Venice and Marseille and spread inland following contact with ships bringing cargoes from the East. The concept of quarantine was developed in these ports specifically to isolate suspected carriers of disease. Time and distance were effective in combatting pestilence, long before science knew its cause was viral.

When plagues hit major cities like Milan, Paris or London, rich people fled to the countryside, the rural population was spread more sparsely and the risk of contagion was lessened by distance from other people. The poor of course could not afford to leave the cities and they suffered proportionately more during a city epidemic. People knew dense city living increased the risk of catching disease, so keeping away from others was instinctive. Today we call this ‘social distancing’.

Have we lost this instinct? Perhaps the ready availability of public health support has led to a belief that we no longer need to heed the importance of distance in staying well and avoiding contagion. Why else would the government encourage us back to work, school and into restaurants, pubs and cafes before the virus has been tamed? This is surely counter-intuitive as the mounting infection rate in September suggests. Sweden has managed to handle the virus better only because it has a much smaller, more sparsely spread population, where social distance is more easily practised.

This is not to criticise the government for trying to protect our economy, equipped with data that suggests Covid 19 is only a threat to a retirement generation, a non-productive sector of the economy. However is it really wise to encourage crowds, whether for work or pleasure, when the best medicine is simply distance? The young, who have a cavalier attitude to infection, thrive on social contact so they will need a convincing reason to embrace social distance as a mantra. A fine of £10,000 is meaningless if you are burdened with student debt and have no job or income! The combined message from the Chief Medical Officer and Chief Scientific Advisor is that the virus is spreading fast and crowds are to blame. Politicians who eagerly encouraged us back to offices and pubs did so in the belief that the epidemic could be managed through testing to isolate infection. Testing has failed to offer the safety net it was designed to fulfil, so the only option now is distance. Thus we must revert to what our ancestors knew worked, isolation.

Keeping offices, schools, and pubs open is not conducive to reducing deaths, but is a compromise. Therein lies the risk. The prime minister has been accused in the past of wanting to ‘have his cake and eat it’. It is axiomatic that you can’t have your cake and eat it; it is also true you can’t encourage crowds and at the same time reduce infection. Science is once again left speaking truth to power, only power doesn’t want to hear, especially when the economy is at stake.

The new three tier system is an attempt to contain the rapid spread, but even the top tier permits restaurants to remain open in an attempt to offer the hospitality industry a ray of hope. The next fortnight will be critical but it is unlikely that the introduction of localised lock-down will really halt the virus, it will at best slow it and delay its progress. This is at best a coping strategy not a coherent policy, is this the best we can hope for? We need to regain our instinct for isolation as the only effective way to stay safe, but has it been lost over generations of improving hygiene and sanitation?

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Written by Garry Honey, SAMI Associate and founder of Chiron Risk
Published 16 October 2020