

FLIGHT SAFETY FOUNDATION
BUSINESS AVIATION SAFETY SUMMIT

RESILIENCE AND CRISIS MANAGEMENT IN AVIATION A STRATEGIC RISK MANAGEMENT PERSPECTIVE

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RESILIENCE AND CRISIS MANAGEMENT FOR AVIATION

A STRATEGIC RISK MANAGEMENT APPROACH

Objectives:

1. A Strategic Risk Management Perspective
2. Advantages of using a Strategic Risk Management Approach
3. How to engage the C-Suite
4. Strategic Risk Management – Impact on Resilience and Crisis Management

RESILIENCE AND CRISIS MANAGEMENT FOR AVIATION A STRATEGIC RISK MANAGEMENT APPROACH

Risk Management



RESILIENCE AND CRISIS MANAGEMENT FOR AVIATION

A STRATEGIC RISK MANAGEMENT APPROACH

Risk Management

- Protecting the life safety, reputation, financial, operational, and asset risk of an entity through use of risk techniques including: risk retention, risk transfer and risk controls

RESILIENCE AND CRISIS MANAGEMENT FOR AVIATION

TRADITIONAL RISK MANAGEMENT APPROACH

Enterprise Risk Management - (Operational) : (ISO 31000 / 2009)

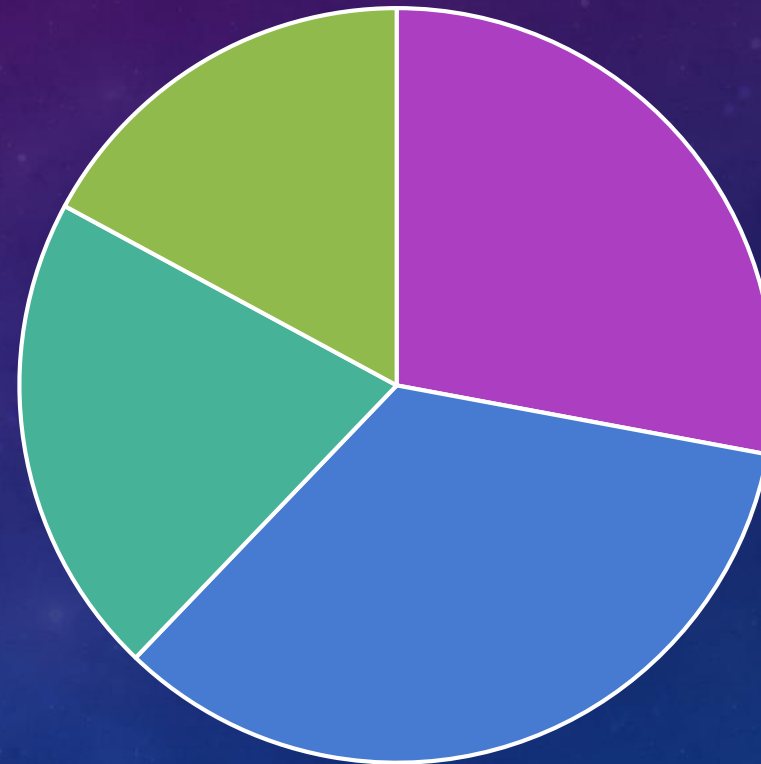
- A disciplined approach to identifying internal risks and controls to mitigate loss
 - Identifies thousands of “risks” and overwhelms many managers
- Requires process owner accountability; metrics upward to be successful
- Originated through
 - Treadway Commission: Committee on Sponsoring Organizations (COSO) 1985 and then 2002-Sarbanes-Oxley (SOX) Section 404
 - ISO 27000, Cyber Security (Silos) and the need for and ISO enterprise discipline

RESILIENCE AND CRISIS MANAGEMENT FOR AVIATION

TRADITIONAL RISK MANAGEMENT APPROACH

Percentage of 445 Organizations

Data from The 2019 State of Risk Oversight: An Overview of Enterprise Risk Management Practices – 10th Edition by North Carolina State's ERM Initiative in partnership with the American Institute of CPAs



31% complete

38% developing/immature

23% robust/mature

19% strategic advantage

STRATEGIC RISK MANAGEMENT PERSPECTIVE

Strategic Risk Management

- ISO 31000 / 2018
- A board-driven, strategic discipline to identify strategic and external circumstances or risks that may prohibit your organization from reaching their strategic goals
- Identifies 10 strategic or “Key Risks” while focusing on the top 3 annually

Benefits

- Strategic Risk Management resonates with the C-Suite
- C-Suite sees accountability for lack of attention to key risks
- It aligns the identification of risks with strategy and external risks
- It promotes a risk mitigation culture
- Has the potential to enhance the bottom line

A STRATEGIC RISK MANAGEMENT PERSPECTIVE

RISK OF NOT INCORPORATING STRATEGIC RISK MANAGEMENT

- Failure to exploit risks/missed opportunities that impact reputation
- Inefficient use of resources & capital
- Insufficient or no integration with strategy & business model
- Project or organizational failure – can't see the forest for the trees
- Ignores geopolitical, economic or other external risks

ENTERPRISE RISK FRAMEWORK

Risk Management: ISO* 31000 Strategic Enterprise Risk Management (2018)

Risk Identification-External/Strategic

Risk Assessment

Develop a Risk Response

Implement Control Activities

Communicate and Train

Monitor Results, Review and Revise if necessary

*ISO: International Organization for Standardization (ISO)

STRATEGIC RISK MANAGEMENT C-SUITE ENGAGEMENT

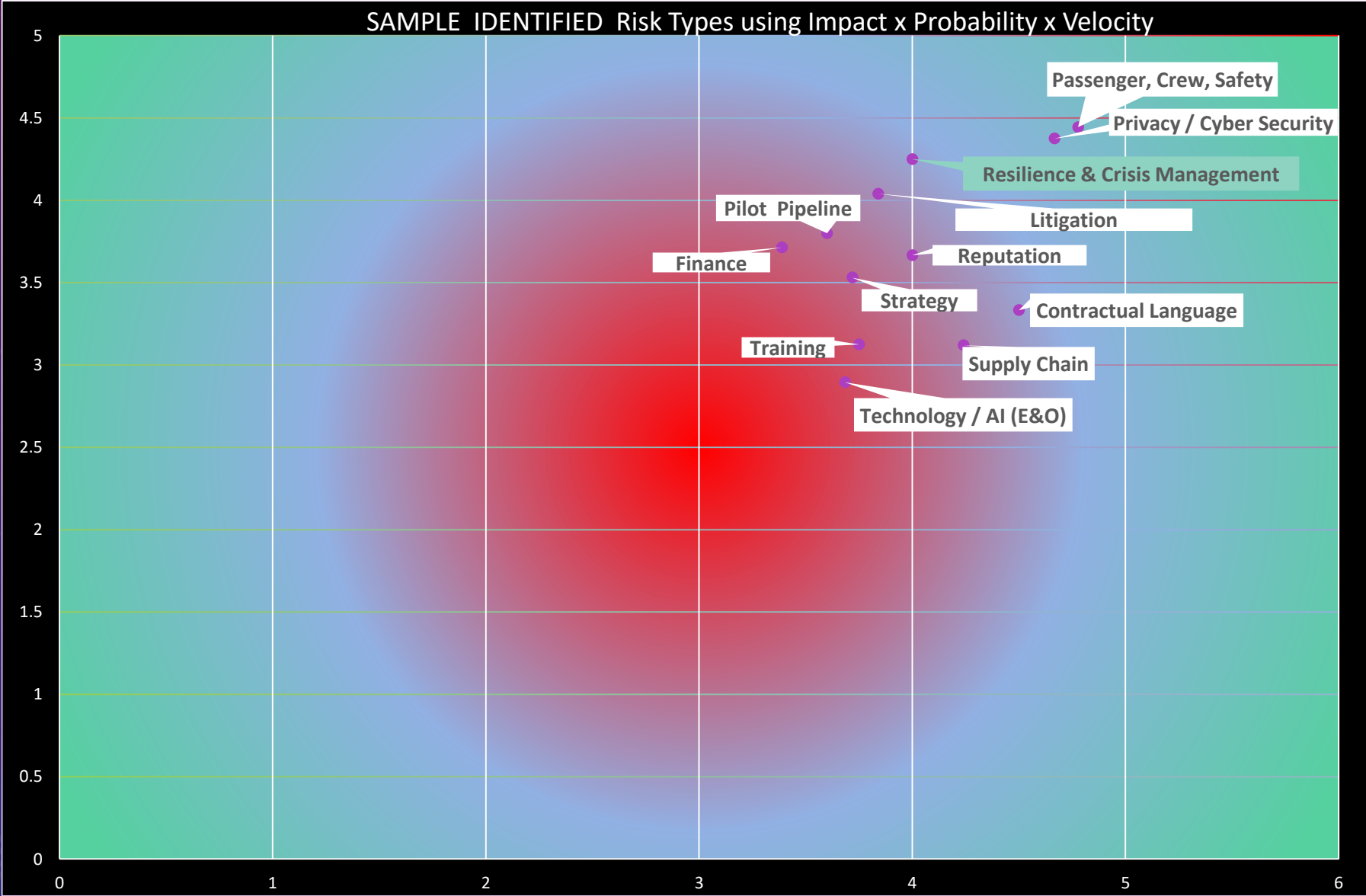
1. ENGAGE THROUGH AN EFFECTIVE AND EFFICIENT PROCESS
2. SHOW ADVANTAGES IN UTILIZING TO ENHANCE REPUTATION AND BOTTOM LINE
3. HIGHLIGHT EXAMPLES OF THOSE WHO HAVE FAILED (SAMSUNG; SEARS, KODAK)
4. REQUIRE ACCOUNTABILITY OF LINE MANAGERS UPWARD TO ENHANCE THE PROCESS

RESILIENCE AND CRISIS MANAGEMENT

A STRATEGIC RISK MANAGEMENT EXAMPLE



RISK ASSESSMENT-RATING AND RANKING



RESILIENCE AND CRISIS MANAGEMENT

A STRATEGIC RISK MANAGEMENT APPROACH

Strategic Risk Scorecard Reporting for Business Continuity

- A comprehensive program is or will be built (Gantt Chart)
- High Level Metrics (Number of plans, number of incidents responded to, trend analysis, improvements, and “lessons learned” from the industry)
- Show an effective, ongoing process to mitigate and respond to emerging risks
- Engage the C-Suite and Board in specific training
 - Crisis Communications
 - NIMS Overview and training
 - Cyber Security training

RESILIENCE AND CRISIS MANAGEMENT FRAMEWORK



RESILIENCE AND CRISIS MANAGEMENT

SAMPLE SCORECARD FOR STRATEGIC RISK MANAGEMENT

Sub 2	Increasing Competition - specifically Company A. New competition being seen from Company B in South America.				Natural disaster damages Plants 1 and 2 and we are down for 3 -4 months.				Looking to consolidate operations of 3 plants into 2. Potential loss of key talent because people will not be willing to move.			
UNMITIGATED RISK EVALUATION	Probability	Impact	Velocity	Total Risk Value	Probability	Impact	Velocity	Total Risk Value	Probability	Impact	Velocity	Total Risk Value
	4	4	4	64	3	3	4	36	3	4	5	60
MITIGATING FACTORS	New multi lingual customer svrice teams are still working effectively. Efforts continue to improve quality & delivery. Owing facilities locally is proving to be very beneficial for sales and good will.				There is new equipment being installed and there are new tests being performed that can be outsourced more easily. We note that the impact of Plant 1 being down a 3-6 month period would have no immediate business impact thus allowing us to reduce the mitigated risk score. Both plants work can be outsourced and/or picked up by plants 3, 4 and 5.				Work closely with HR to identify key resources that will consider and not consider moving. Develop requisitions for the key positions that will not moving and begin searches immediately.			
MITIGATED RISK EVALUATION	Probability	Impact	Velocity	Total Risk Value	Probability	Impact	Velocity	Total Risk Value	Probability	Impact	Velocity	Total Risk Value
	3	3	3	27	3	3	3	27	3	2	4	24
ADDITIONAL RISK RESPONSE	6 customers have moved to Sub 2 due to Company A faltering. We continue to fix customer service issues. Plant upgrades are in process to better service all customers. We plan to be able to hold onto 4 of the 6 customers we converted this year.				Continue to look for outsourcing partners as backup. Most of this work is completed.				Provide excellent relocation and house finding benefit. See if remote working conditions is a possibility with one week travel to plant site per month.			

THROUGH USE OF A STRATEGIC RISK MANAGEMENT APPROACH YOU MAY

Build Executive Buy-In for Greater Safety

Keep it Strategic for C-Suite and Board Engagement

Metrics Show Accountability at the Line Level

Enhance Life Safety, Reputation, Finances

QUESTIONS?

Thank you!

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