

GUIDELINES FOR GOVERNING CRITICAL RISKS

GOVERNMENTS AND BUSINESSES MUST PARTNER MORE EFFECTIVELY

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The *Global Risks 2014* report highlights the need for coordinated action between different countries and sectors to mitigate threats and avert potential crises. This imperative is strongly emphasized in a formal *Recommendation on the Governance of Critical Risks* that was developed by the Organisation for Economic Cooperation and Development (OECD) with Oliver Wyman input and approved by the OECD Council of Ministers in May.

The *Recommendation* sets out five principles to help countries strengthen resilience to sudden-onset events such as earthquakes, industrial accidents, and terrorist attacks; gradual-onset events such as pandemics; and steady-state risks such as illicit trade and organized crime. All of these potential occurrences threaten infrastructure critical for sectors vital to economic activities, lead to widespread damages and losses, degrade key environmental assets, negatively impact public finances, and erode public trust in government.



These principles emphasize the importance of developing a national strategy that adopts an all-hazards approach to resilience and has clear goals for each stage of a risk management cycle. They state that strong foresight analysis, risk assessments, and financing frameworks are critical for prevention, mitigation, and preparedness. So, too, is the effective mobilization of households, businesses, and international bodies. Crisis management capacities also need to be highly adaptive and flexible to cope with novel, unforeseen, and complex events. Finally, transparency and accountability are fundamental to good risk-related decision making, as is a willingness to learn from experience and new scientific knowledge.

What’s clear from the research underpinning this *Recommendation* is that while policymakers must exercise leadership on these issues, they cannot address these risks alone. Businesses play an essential role in ensuring human safety and ongoing economic activity – both in forestalling unwelcome scenarios and in responding to crises. This is not just due to their control over critical infrastructure in many countries, but also due to their more broad-based engagement with business continuity and the welfare of their employees.

There is clear scope for governments and business to partner more effectively with each other. By better exchanging intelligence on trends in critical risks, for example, it is often possible to redress informational asymmetries between organizations and sectors without breaching national security or commercial confidentiality. Huge opportunities also exist for more strategic interaction. Through clear policy goals, regulatory backing, and occasional research and development support, governments can stimulate investment into highly valuable solutions, such as infrastructure, technology, and services. A rebalancing of responsibilities within an appropriate framework of incentives can spur the achievement of greater resilience for the good of all.

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