

Round up: 2013's most devastating crises

The past year brought catastrophe, scandal and much debate as the ever-changing risk landscape challenged businesses with a variety of both long-term and immediate issues

'When you get too many sixes, you suspect the dice are loaded'

Nigel Arnell
Walker Institute

February – stare straight ahead

Severe income disparity and major systemic financial failure were listed as the top concerns in the next decade by the World Economic Forum's eighth annual Global Risks Report. In second place, experts rated rising greenhouse gas emissions and the failure to arrest climate change. But what particularly stood out was the report's linkage of the two risks. "If we don't allocate the resources needed to mitigate the rising risk from severe weather events, global prosperity for future generations could be threatened," said Oliver Wyman chief executive John Drzik.

March – horses for main courses

Tough lessons were learned from Europe's horsemeat scandal. Large supermarkets and food manufacturers argued that looking beyond second or third tiers in the supply chain is almost impossible, which only angered regulators further. Cass Business School operations and supply chain management head Professor Mohan Sodhi said this was an unacceptable practice in modern business and accused risk managers and business leaders of using "plausible deniability".

April – businesses must weather storm

Australia's 2012/13 summer was its hottest recorded, sparking more debate about the impacts of climate change and how businesses must adapt. Last year's inaugural Annual Incident Report from the European Network and Information Security Agency said natural phenomena regularly cut power for hours at a time. Co-author Dr Marnix Dekker warned: "Climate experts forecast more frequent extreme weather and greater impact."

May – resilience still at the core of business success

Leadership and resilience were hot topics in May after Manchester United manager Sir Alex Ferguson announced his retirement after 26 years at the club. On the topic of business resilience and leadership change, Cass Business School visiting professor Robert Phillips said the way that Steve Jobs gradually handed over his responsibilities to Tim Cook at Apple was the perfect example for a business that had a single successful figure in charge.

June – Europe wrestles with its future

European Commission president José Manuel Barroso began 2013 by saying the threat to the euro had been overcome. But many experts pointed out that Europe's struggle is not over. Shale oil and gas exploration will give US-based businesses a continuing economic advantage over their European counterparts, which are under increasing pressure. But Ernst & Young's area managing partner for Europe, Middle East, India and Africa, Mark Otty, said European companies were beginning to raise



expectations "in terms of future investment".

July – turning the tide

European companies may be more positive about future investments, but flooding still posed significant risk to businesses and discussions were raised as to the fiscal responsibilities of governments to protect people and businesses. Willis Global Analytics chief hydrologist Tim Fewtrell said investment in flood defences in Europe had been widespread over the past 10 years and lessons had been learned since 2002's floods.

September – fall of the rupee highlights problems in emerging markets

From leadership to flood risks, firms must contend with an array of issues, and the fall of the Indian rupee in the second half of the year signalled to economists that the emerging markets may not be the saviour that European firms had hoped. The growth forecasts of Brazil, Russia, India, South Africa and, most significantly, China dropped from heady two-digit heights to more mundane figures with India projecting a growth rate of 5%-5.5%.

October – fears over financial hit of Help to Buy 2

The UK government announced phase two of its Help to Buy scheme to stimulate the property market, sparking fears about long-term financial stability. The International Monetary Fund's head of financial stability, José Viñals, praised the goals of the scheme, but expressed doubts about whether the UK had enough new homes to keep up with an increase in demand.

November – an ill wind that can only get worse

Super Typhoon Haiyan ripped through the Philippines in November, a year after Superstorm Sandy hit New York, provoking further discussions about an apparent increase in severe tropical cyclones relating to climate change. Professor Nigel Arnell, director at Reading University's Walker Institute for Climate System Research, summed it up: "The analogy we often use is the rolling dice – you could get two sixes by chance, but when you get too many sixes, you suspect the dice are loaded."

Indeed, 2013 proved to be a challenging one for risk managers with an onslaught of both man-made disasters and natural catastrophes. These incidences sparked thought provoking debate among the risk community – gaps in risk assessment were identified particularly in relation to the supply chain, while others looked towards forecasting extreme weather events. What was clear in discussions following these events was that sound risk management and strong mitigation strategies could make all the difference. **SR**

