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Managing Risk

in the New Normal

Report written by Professor Michael Dickmann and Dr. Benjamin Bader



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Note from the authors:

Due to rounding, percentages in all figures and tables in this report may not total 100%.

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In association with



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Harmony is a global cooperative network of moving companies and destination services providers, upholding strong family values through generations of heritage, brought together in one truly global and solid infrastructure, providing the same level of high quality services, local expertise and personal commitment, the world over.

Paul is the archetypical Dutchman. Tall, and speaks his mind in clear terms. Never rude though.

He's been with Harmony Relocation since the start of his career, after studying Business Economy at the Free University in Amsterdam. His work has always been on the 'outside' of the company. Management and expansion of the global cooperative network, and with large global clients and prospects. He is supported by an excellent team of specialists.

He thought he loved travelling, until the pandemic stopped that alleged hobby. Turned out that being at home and spending time with the family was a million times more valuable.

A lot of knowledge built up over the years, about many things relocation related, so happy to help any RES Forum member with questions or support.



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BGRS develops and implements comprehensive talent mobility solutions for corporate and government clients worldwide. By combining deep industry experience and unparalleled insights on the future of talent mobility, we enable our clients to design mobility programs that empower them to attract, retain, and develop top performers. With more than 1,400 people across six continents, we blend global perspective with local market strength and international business.



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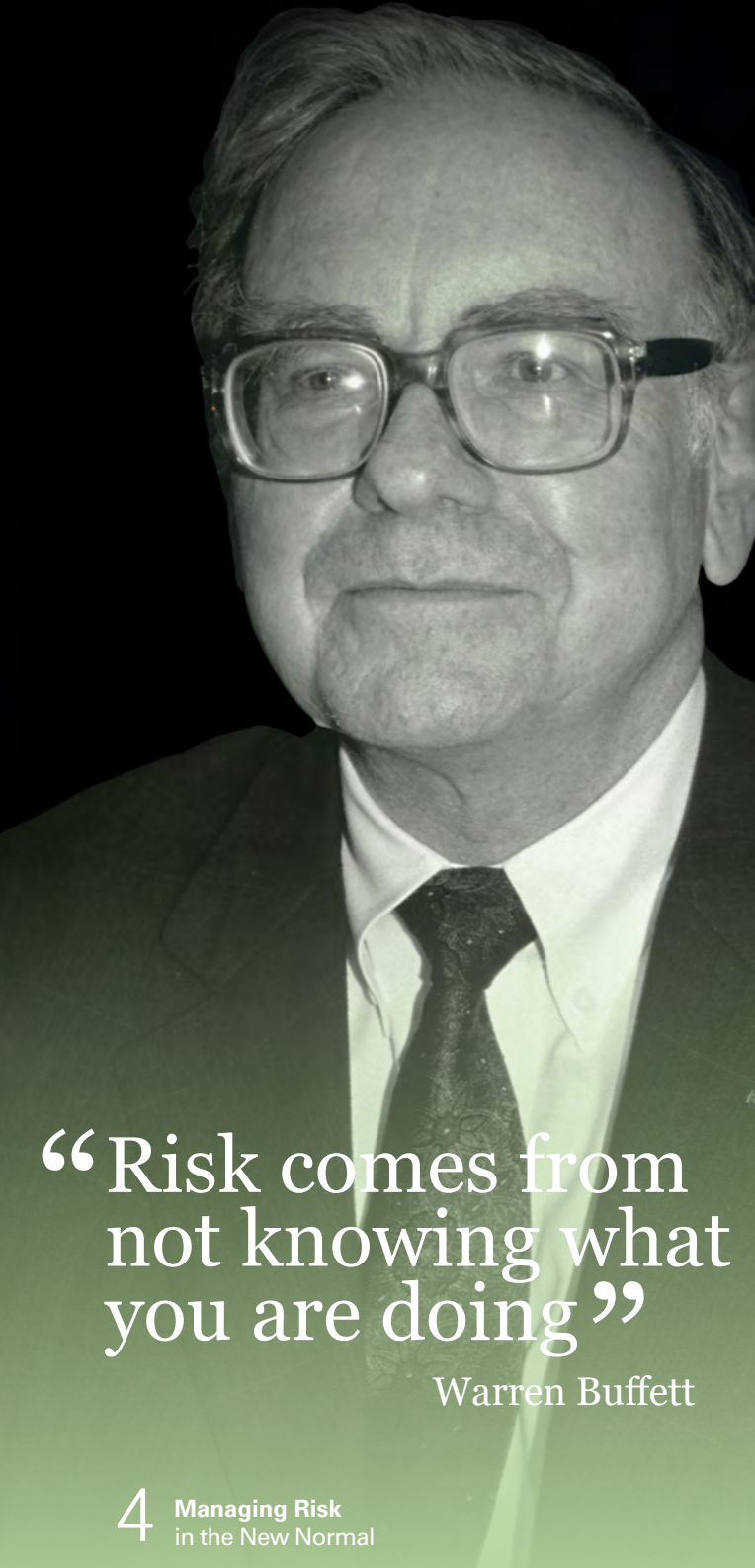
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Matthew has been with Anvil for over 15 years. Initially responsible for spearheading travel and operational risk technology products, he then established Anvil's in-house medical team to support the company's 24/7 international assistance and healthcare services proposition. Primarily responsible for overall management of the global business, he continues to be involved with business development, maintaining direct relationships with Anvil's clients to understand the challenges they face and help develop solutions to their current and future problems. He is a regular speaker and written contributor on the subject of travel risk management and operational resilience.

Introduction



“Risk comes from not knowing what you are doing”

Warren Buffett

Risk describes the possibility that something undesirable will happen. Managing risk refers to how organizations or individuals deal with risk appropriately.

If the last year has shown anything about organizational risk, it is that unprecedented events are possible. Thankfully, global pandemics affecting virtually every business in the world are rare. However, we are constantly surrounded by risk: big and small; holistic and segmental; detrimental and negligible. Hence, from an organizational perspective, proper risk management and awareness is essential. As are suitable strategies that allow us to respond effectively, should any potential risk become reality. In fact, the COVID-19 crisis has shown that, as a rule, companies with proper Global Mobility (GM) risk management also had solid business contingency planning. As such, they were better placed to maneuver through the crisis. For more details, see the June 2020 [RES Forum research report](#) in collaboration with EY.

The title of this report may create the expectation of a new and remarkable risk management strategy, based on learnings from the crisis. In truth, this would be an overpromise. As tempting as it is to introduce a “risk management strategy for the new normal” it would be like selling old wine in new bottles. But there is no reason to be disappointed. Why? Because while the parameters of organizations have changed through COVID-19, the tools to manage risk- including advanced technology tools- already exist. Organizations just need to use them!

The pandemic hit the GM industry particularly hard. With months of lockdowns, severe travel restrictions, and dramatic levels of uncertainty, it will take a huge effort to get GM fully back on its feet. Yet, while the landscape has changed, we are convinced that GM will return to its old strength. The challenge GM professionals face is to proactively assess the resulting opportunities and challenges (see RES Forum research report “[Shaping the New Normal](#)”), then to revisit and, in many cases, change their organizational approach to GM risk management.

This report explores the most important factors and dimensions of risk management regarding the new normal, which we believe can be taken as a benchmark of the GM industry. The data for this extensive analysis is an (anonymized) selection of 27 multinational companies (MNCs).

Foreword^{by} Paul Bernardt

What are the odds?

In summer 2016, out of the blue, South Korean shipping line Hanjin was unable to continue normal operations and requested deferment of payment. Hanjin was the largest South Korean container carrier, and a global top-10 player. Close to one hundred container ships (carrying a total of 540,000 containers), as well as some bulk carriers and tankers, were suddenly at risk.

The ships were everywhere: ports, coastal waters, international waters. Ships still outside the ports weren't allowed to dock for fear of non-payment of both port and handling fees. Ships already docked were chained and confiscated for the same reason. Unloaded containers weren't released for fear of losing them.

Maritime lawyers had a ball!

The owners of the loaded goods (the 'shippers') demanded release of the containers. Terminals kindly requested advance payment of handling fees, even when shippers had pre-paid. Hanjin bank accounts were frozen globally. Charter owners demanded their ships back. Around the world, claims were filed in courts for loss or delay of cargoes that were time-sensitive or spoilable, and for breach of contract in failing to deliver cargoes.

The Bayonne Bridge – a Modern Day Hotel California

Meanwhile, the New Jersey infrastructure had an additional challenge. Off the coast of New York, the Hanjin Miami was anchored, scheduled to be offloaded. However, once empty, the ships' height would increase preventing it from sailing out, as it would be unable to pass underneath the Bayonne Bridge. Bigger! The New Jersey terminal could not keep the ship docked as it would cost too much money to occupy port capacity. The terminal was also unwilling to load it with empty containers – who was going to pay?

A New Suez Crisis

Fast forward to 23rd March 2021. Ocean freight rates had skyrocketed in recent months. There was a strong wind in the Suez Canal, the sun had just risen. The captain of the 'Ever Given' containership parked his vessel in the mud, on both sides of the Canal. One ship blocking 15% of global trade for an entire week. A long, long week. Only now people start to wonder who carries the risk. After all, what are the odds?

The Risk is Real

There are risks involved with international relocations, well beyond those listed in this paper. Risks further downstream, with every supplier supporting global mobility departments. Health & Safety (and not just related to COVID-19). Environmental. Bankruptcy. Currency, subcontractors, bribery & corruption, GDPR, cyber-attacks. And probably a few more.

“Ask your (prospect) vendors how they deal with risk. Think about the potential consequences and the costs thereof. And, only then, look at the direct cost.”

Risk Management and its dynamics

There are various approaches to dynamic risk management, which can be broadly clustered into three phases.

In the first step an organization must define its risk-taking boundaries. Determining an appropriate level of risk aversion helps guide individual risk management strategies. In the next step, the organization must identify risks (immediate and distant) and assess the threat and impact emanating from each. In step three, decisions on risk management approach must be made. This means deciding whether responses are immediately required (e.g. implementing measures to avoid the risk or hedging against it with insurance) or whether the risk can be dealt with at the time it materializes.

Related to this mitigation, it is helpful to develop contingency and action plans, that can be implemented at a later stage, as necessary. This is a cyclical process in which the risk approach is constantly reviewed and monitored. See figure 1.

Figure 1: The Risk Management Cycle



While this dynamic risk management pattern is applicable universally, the specifics must be designed by each organization. After all, not every risk is similarly likely and / or dangerous for every company. In fact, while detrimental for a variety of industries, COVID-19 (or, more generally, a global crisis, followed by severe governmental interventions) provided a significant boost for companies such as Zoom Inc. and Amazon. Thus, the following is intended as a toolbox – a collection of risks that are highly relevant for the GM industry – as well as a detailed benchmark outlining how leading MNCs should be prepared for / secured against each risk. It is not a blueprint to be blindly adopted.

Risk management should always be approached from an individual perspective. Even though this report provides some tools, along with aggregated GM risk management information, it is up to each company to apply those tools in their own context. Company-specific tailoring will be key, as one-size-fits-all risk management will not work.

Risk Management in the New Normal

The RES Forum’s Risk Analytics tool is comprehensive. It covers eleven categories, clustered in 23 sub-categories and 100+ individual questions. Each question is rated on a scale from 1 (very low) to 4 (very high). To help organizations start managing risk in the new normal, we have selected four core categories (immigration, GM programmes, emergency incident response, health risk mitigation) and provided the industry average score (based on the RES Forum risk data), as well as key implications. In addition, the report highlights how GM is represented in the company’s top management, to determine the likelihood of GM having a say in strategic decision-making.

Immigration

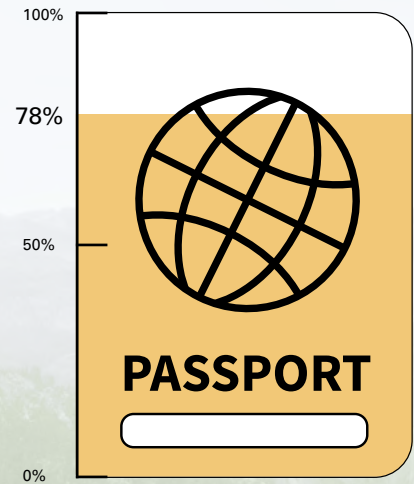
Managing immigration risk is vital, as non-compliance is costly for individuals and for the organization. Shortly after the outbreak of COVID-19, more countries shut their borders, making international travel almost impossible. As a result, many organizations needed a quick and accurate overview of their workforce’s physical location. Although this exercise sounds straightforward, particularly in the digital age, a good number of companies struggled. In some cases, this called for GM managers to follow up manually with every globally mobile employee. As the lockdowns persisted, it was essential to ensure that visas remained valid. Another task that sounds simpler than it turned out to be for many GM departments.

Figures 2 and 3 show that most companies actively monitor visa expiration dates. However, the data reveals that more than one in ten firms score very low. Subsequently, these organisations are exposed to severe compliance risks.

In terms of maintaining a solid database to meet country reporting obligations, including new job roles or precise office locations, a different picture emerges. While there were some examples of success, almost half of organizations indicate a low or a very low score. Given the simplicity of this task – one that can easily be supported by IT systems – no HR function should be caught off guard in the future. In fact, reporting should be possible within seconds and can be almost fully automated. After all, it is essential to have up to date information and it is HR’s responsibility to capture role changes in the HRIS.

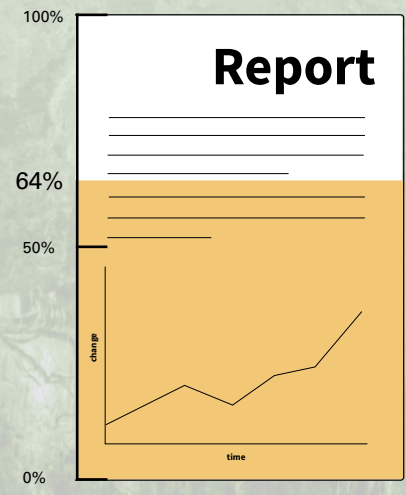


Figure 2: Risk & Visa Validity



To what extent are existing visa validity dates reviewed systematically to ensure renewals are handled in a timely manner?

Figure 3: Risk & New Job Roles/Office Locations



To what extent are change details (e.g. new job role or office location) reviewed systematically and in a timely manner to meet country reporting obligations

Risk management in the new normal

GM Programmes

In this section we cover GM process automation¹ in more detail. No matter how complex the process, there is likely to be a solution to automate or, at least, digitize it. Therefore, it is surprising that sixty percent of companies report low or very low scores against GM process automation¹. In fact, only three companies reported the top score. Two of those are tech companies.

Similarly, the use of GM metrics and analytics is still in its infancy. Almost two in three companies report low and very low scores, and again only three indicate top scores. Not surprisingly, the best-in-class examples are the same ones that automate their processes and, therefore, seem to be successfully tracking this data. This allows them to manage risk more consciously.

To what extent do you use GM metrics / analytics to monitor overall programme effectiveness?

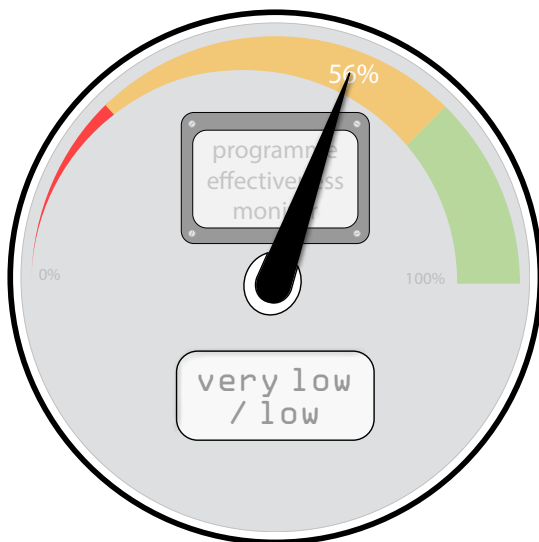


Figure 5: Risk & GM Metrics for Programme Effectiveness

To what extent are your GM processes automated?

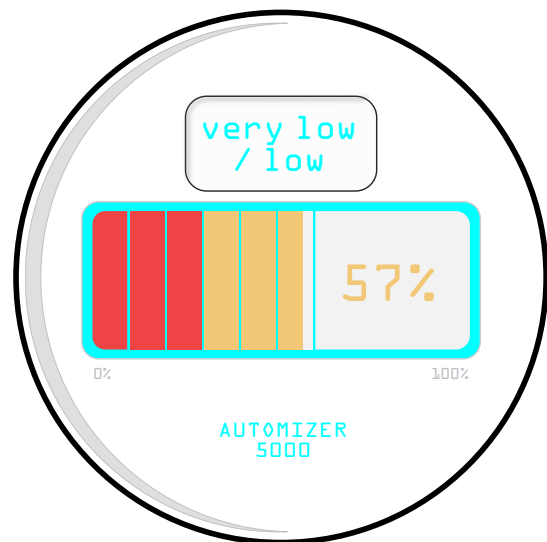


Figure 4: Risk & Process Automation

What we've learned from GM risk management leaders is that solid data management and digitization puts organizations in a convenient position. If push comes to shove, they can draw from a rich data pool and have the required information at their disposal. This puts them firmly in the driver's seat, allowing them to make much more informed decisions.

High quality data gathering has clear upsides. After all, the ability to learn from accurate, comprehensive information may be the ultimate competitive advantage.

This is in stark contrast to organizations with a less sophisticated data management. These may have to either manually collect data (sometimes under immense time pressure) or be forced to take poorly informed decisions. This lack of overview and evidence is overwhelmingly negative, leading to stress and reputational risk for GM departments.

Risk management in the new normal

Emergency incident response

The first warning signs came in late 2019. By the beginning of 2020, those signs pointed to a substantial danger. However, it was only in March 2020 that the global pandemic hit with full force, causing individuals, organizations and governments to wake up to the clear and present threat. In this regard, COVID-19 was unlike other emergencies, such as an earthquake or tsunami, which last only a short time. Even though the world had more time to react, the pandemic is certainly classified as a major, world-wide threat. And one that warrants an emergency response, including the execution of business contingency plans and procedures.

As is clear, the pandemic is immense in scale and duration. What is more, governments and health institutions require dynamic and continuously evolving responses to mutations in the virus. As such, the risks related to major incident responses – subsequently embedded in the ‘New Normal’ – must be revisited.

Foremost, as illustrated by Figure 6, there is much room for improvement. A few notable exceptions aside, almost all companies report a low score on each of the emergency incident response dimensions. Astonishingly, more than one in three organizations reported having no emergency incident procedures in place. Admittedly, such an emergency as COVID-19, unprecedented post World War II, tested the limits of even the most advanced crises planning. However, the situation was certainly more challenging for GM departments that failed to define any risk procedures at all.

Notably, a little more than one in four (28%) companies reported high scores on emergency evacuations in case of major disasters and for medical emergencies. For firms that have neither the planning nor experience of emergency evacuations, the idea of potential evacuations and, in particular, the feasibility of those evacuations, must be reviewed in the New Normal. It might be that events able to trigger such a response should be seen as broader and more multi-faceted.

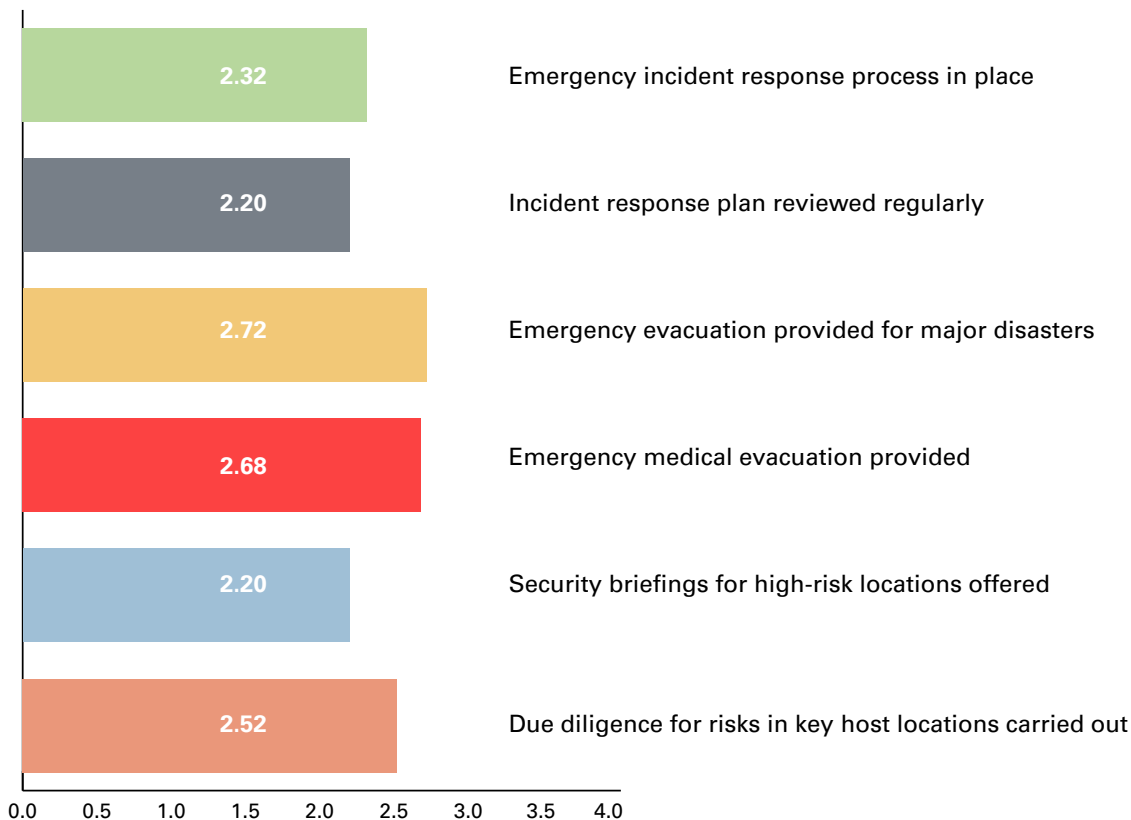


Figure 6: Risk & Emergency Preparation and Response

Risk management in the new normal

Health risk mitigation

Employee health and wellbeing is regularly reported among the top priorities of organizations. This has also been shown in the RES Forum research on Duty of Care (published in March 2020), which investigated how organizations are fulfilling this important obligation. However, we believe the global pandemic caused by COVID-19 has fundamentally challenged how organizations address employee health and wellbeing.

Looking at our risk analysis tool data, it's clear there is much room for improvement. There are examples of organizations who are particularly well equipped, as well as those who are more exposed to risk. However, in terms of the 'New Normal', every company must improve in their forecasting and management of health and wellbeing risk. In fact, only 16% of organizations gave a very high score to the provision of pre-assignment health checks.

Given that airlines and border controls now routinely require a negative COVID-19 test and, most likely, a good number of countries and airlines will require proof of vaccination before international travel in the future, pre-assignment health checks have become indispensable. Expanding on this idea, companies could broaden their health and wellbeing support before and during assignments which should lead to assignees being more satisfied with the duty of care of their employers.

The companies that score highly for the elements covered by Figure 7, are the same that performed well against other risk areas. While we can't make any assumptions, we suspect that these companies already conduct comprehensive and holistic risk management. There is never any guarantee that organizations can avoid risk altogether, but this level of risk management puts those companies in the best position to deal with threats in a rational, well-informed and data-driven manner.

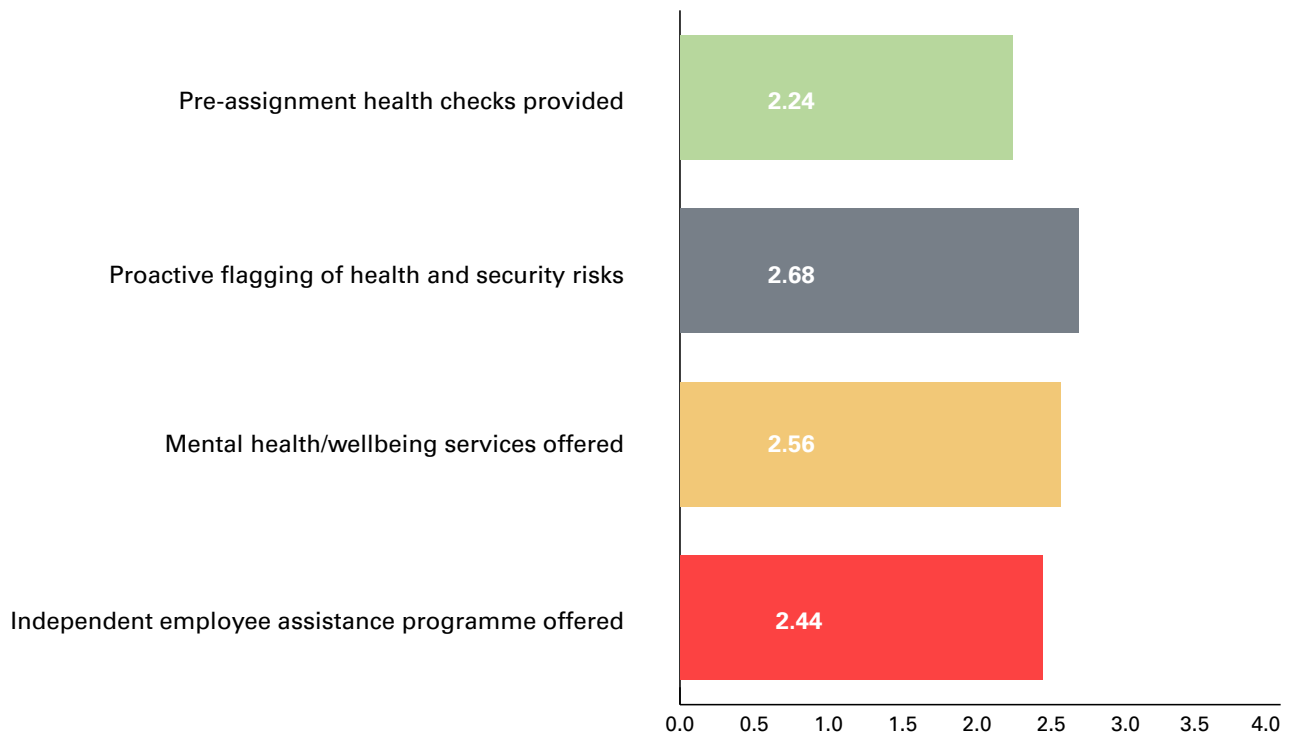


Figure 7: Risk & Health and Wellbeing Management

Global and top

Mobility management

Finally, we assess GM's representation at the 'top table' of the organization. Forty percent of the participating companies report very low or low scores, while fewer than one in six companies report a very high score. This clearly shows that GM is generally too far from where the (strategic) decisions are made. Obviously, we cannot blame GM departments for not having a seat at the table. After all, it is not necessarily the case that GM leaders can simply ask for membership of the senior decision committee. However, we strongly believe that COVID-19 gives strategic-thinking GM leaders a great opportunity to acquire a seat where they do not already have one.

Times of crises often provide silent leaders the chance to shine. By effectively managing the global workforce and navigating the company through tough times, top management and the C-suite will certainly take notice. Decisions and suggestions should be backed by a data driven, evidence-based approach, clearly and rationally argued, and linked to the company's overall strategic goals. In this case, it is possible for GM not only to justify their seat at the table but also to create a win-win for the entire organization.

To what extent does GM have a place at the top table of your organisation's HR or Business Leadership teams?

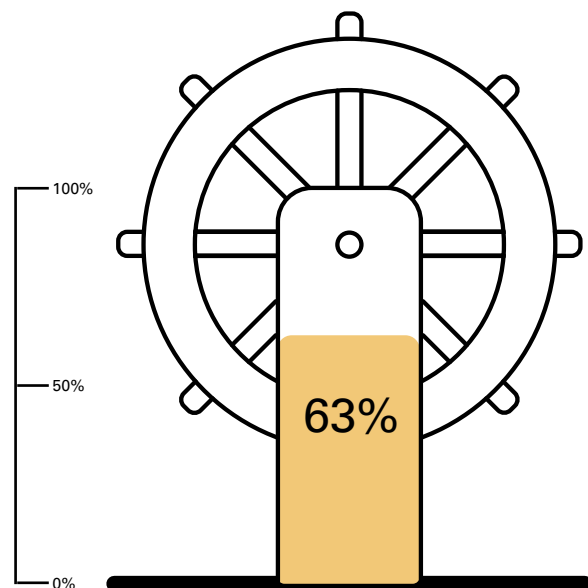


Figure 8: GM's integration into HR/Business Leadership

Key Implications

High quality risk management addresses all areas of GM management. Strategic planning, operational execution and risk management for the organization and its global workers are all important:

Strategy. Key to a stronger strategic position is for GM leaders to analyse their organization's global work needs and competitive landscape. Designing proactive GM strategies to master the 'New Normal' after the pandemic will be crucial in shaping the changing world of global work and working. Good data analytics are paramount to be able to arrive at evidence-based GM insights.

Operations. Operational excellence is fundamental for high-quality professionals in the GM arena. Access to data and rapid response capability through data automation are crucial to the design and delivery of good GM practice. This is also essential to help plan, implement and monitor rapid responses to various crises, thereby identifying and managing operational risks.

Individuals. The pandemic has reiterated the importance of health and duty of care activities. Risk management in the 'New Normal' will benefit from a relentless focus on the wellbeing of all employees working abroad, as well as the creation of scenario planning responses to dangers and threats faced by assignees and business travelers. Flawless planning and execution with a human touch should strengthen the standing of the GM department in the eyes of international workers, augmenting the reputation of GM professionals.

Recent history has shown that many major risks exist. Amongst some of the substantial dangers for humankind – and therefore an existential threat for individuals and organizations – are climate change, terrorism, geo-political dangers, threats to the financial system, major natural disasters and pandemics. These dangers will vary in location, duration, predictability, extent and significance for organizations and individuals. Thoughtful, high quality and agile risk management will be needed for GM effectiveness and organizational continuity.

Self-assessment

The template included on the next page is designed to help you assess your organization's position on the risks we've identified as priorities for the New Normal. Once complete, you can compare your individual value with the industry average according to the RES Forum's risk analysis tool. For each question, ask yourself how important the respective statement is for your company. As we wrote initially, risk management must be tailor made. As you begin to refine your risk management, you should focus on any areas you consider important, but where your score is below 4.

While this brief benchmarking exercise is only intended as a rough overview, with the [RES Forum Analytics tool](#) you can assess your organization on all dimensions and get an extensive benchmark.

Brief self-assessment

To what extent...	1. very low	2. low / mid	3. mid / high	4. very high	Comments / importance for your organization
... are existing visa validity dates reviewed systematically to ensure renewals are handled in a timely manner?					
... are change details (e.g. new job role or office location) reviewed systematically and in a timely manner to meet country reporting obligations?					
... are your GM processes automated?					
... do you use GM metrics/analytics to monitor overall programme effectiveness?					
... does your organisation have an 'Emergency Incident Response' process (managed internally or via an external provider)?					
... is the incident response plan regularly reviewed (e.g. annually), tested and known to the GM function?					
... does your organisation provide emergency evacuation from major disasters/terrorism/war and provide hostage negotiation services?					
... does your Company provide emergency medical evacuation?					
... are security briefings offered to globally mobile employees travelling to designated higher risk locations?					
... have you carried out due diligence on the environmental, political and medical risks associated with your key, host locations?					
... does your organisation offer pre-assignment health checks for employees and family members relocated overseas?					
... does your organisation proactively flag health & security risks to international assignees?					
... are mental health and wellbeing resources and services in place for international assignees?					
... does your organisation offer an independent Employee Assistance Programme (EAP) service to globally mobile employees?					

Figure 9: GM Risk Analysis and Management Tool

The Expert perspective

Managing Risk in the New Normal

Whilst the underlying fundamentals of risk management have not really changed in years, a number of the frameworks required to enable organizations to mitigate risk in an ever-changing world most certainly have. The results of this survey highlight certain themes that are not unusual to find in many organizations today. As the survey highlights, many organizations are still responding reactively rather than adapting to the proactive approach required by the “new normal”. It’s also clear that many organizational departments still appear to be operating in silos, either not participating in wider stakeholder committees set up to deal with risk management issues, or in some cases, these interdepartmental committees don’t exist at all.

So here comes the “old wine in the new bottle”. It’s called “organizational resilience”.

Organizational resilience is the ability to anticipate, prepare for, respond and adapt to events – both sudden shocks and gradual change. More resilient organizations can anticipate and respond effectively to threats and opportunities arising from changes in their internal and external context. They’re adaptable, competitive, agile and robust. Enhancing resilience should be a strategic organizational goal and is the outcome of good business practice and effectively managing risks.

This methodology assists organizations in taking a far more proactive approach to risk management. By breaking down the departmental silos the global mobility (GM) function can bring together relevant stakeholders - Travel, Insurance, Health & Safety, Legal, HR and Security – all of whom have a responsibility for the mobile workforce. Bringing these stakeholders together and sharing awareness of existing processes and tools allows GMs to understand how they can be leveraged to solve existing problems and prepare more effectively for new issues that may arise.

It’s clear though that many organizations are still very much relying on a reactive “insurance” based approach to risk, which is designed to aid when an issue has already occurred, rather than taking steps to mitigate in advance. This is demonstrated by the low scores in the Emergency Preparation and Response section of the survey.

The low scores on Digital Automation suggest that many organizations do not have, or are not aware of, the risk management and process automation tools available to them. These tools can not only ensure that a consistent approach is followed but can also enable risk programs to be more scalable and efficient, resulting in fewer mistakes or gaps in data. This, in turn, results in more effective triggering of alerts when a potential problem or issue arises.

Another fundamental area highlighted by the survey as needing focus is the physical and mental wellbeing of the mobile workforce. Good physical and psychological resilience is a key foundation supporting the success of any assignment or business trip. Omissions in this area are often the reason that many global assignments fail. Aside from the impact on the individuals, unforeseen medical expenses or lost opportunities arising from not providing employees with the support and confidence they require to be successful in location can cost organizations dearly.

Duty of Care, Health & Safety and Risk Management are areas of governance that are both a legal requirement and a moral one. Although the ultimate accountability for them may lay with other departments, the responsibility for their application runs company wide and GMs need to ensure that they are playing a key role in driving conversations and interdepartmental collaboration.

Far from being a burden or an overhead, effective risk management and the drive towards true operational resilience should be seen as a competitive advantage and a positive business enabler, allowing organizations to leverage economic opportunity and to grow and prosper in the new normal, whatever that may be.

Matthew Judge
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