

# Riskwise

Making pearls out of risks

4th Quarter, 2020

NAVIGATING THROUGH  
COVID-19:  
A RISK MANAGEMENT  
PERSPECTIVE

GETTING THE RIGHT  
TYPE OF FINANCING  
FOR YOUR BUSINESS

CRISIS MANAGEMENT:  
THE NEW ORDER  
OF BUSINESS

## RISK AWARENESS & COMPLIANCE

NO LONGER A GOOD-TO-HAVE,  
BUT A MUST-HAVE



Top  
**5**  
Risks facing  
**SMEs**  
post-covid



# From the Editor

This is the first issue of the RiseWise magazine. The purpose of this magazine is to amplify and boost risk management practice in Africa. Although risk management is well established in the finance sector, it is not effectively applied in the other sectors. Risk management is important as it identifies critical risks that would have substantial impact in the organization objectives and it supports to prioritize and monitor such risks.

In this issue we have several outstanding articles including 'Navigating through COVID-19: A risk management perspective', an article that underscores the importance of risk management especially after the pandemic. An article on 'Risk management in the insurance sector' which speaks to the importance of insurance as a mitigating strategy for risks. Another article on 'Crisis communication' underscores the importance of effective communication in risk management.

The title article speaks to 'Risk management as a must have and not good to have'. We believe that these articles will create a good read for this inaugural issue.

Enjoy the read!

*Caroline*



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# Navigating Through COVID-19: A Risk Management Perspective



**By Sospeter Thiga**  
*Risk Management practitioner  
Current CPF Group Head of Risk  
and Compliance*

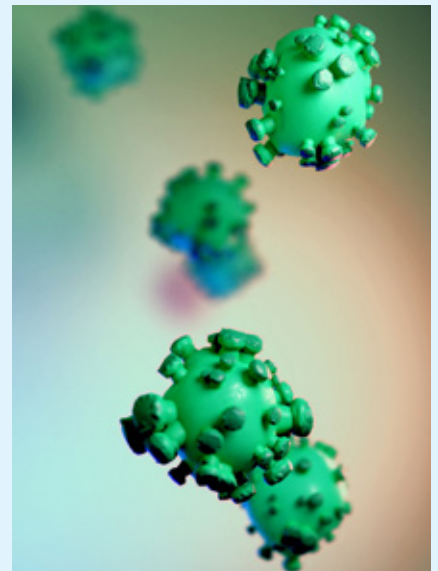
The COVID-19 global pandemic has had a negative impact on numerous sectors around the world. As the crisis continues to evolve, organizations around the globe are struggling with the multi-dimensional set of risks it has unleashed. While the safety and well-being of workers affected by COVID-19 remains a primary priority, companies have also been forced to triage other essentials, such as; optimizing risk management to ensure organizational resilience in the course of the crisis; leveraging the implementation of Business Continuity Plans (BCPs) to counter the current disruption and redefining the role of risk professionals – to fortify organizations against similar future occurrences.

The COVID-19 crisis has significantly affected financial markets, and market risk remains one of the heavily impacted areas. Stock markets have declined sharply and volatility has increased. Treasury bond yields have reached record lows and credit-default-swap indices have been surging, reflecting concerns of increased corporate defaults. For many assets and liabilities, fair values may have changed significantly, reflecting changes in cash flow

forecasts, greater uncertainty and elevated risks.

Organizations who had put in place a robust enterprise risk management framework that incorporates a Business Continuity Management System (BCMS) have suffered less impact to their operations. Typically, a Crisis Management Committee (CMC) that ought to be proactive in mitigating any disruptive event such as the current pandemic manages the BCMS.

As the old adage goes, 'No Man is an island'. It is during crisis times that like minds should come together. Case in point, the leaders of risk in the financial services within Kenya usually congregate using a WhatsApp forum and regular webinars designed to share ideas on how to manage the current pandemic. This group was an eye opener as leaders brainstormed on various pertinent issues that were implemented successfully in different organizations. From quick policy templates, to COVID-19 protocols, isolation strategies, mass testing proposals, Board paper issuance, lock down planning - you name it, all these were discussed with fresh ideas always being brought up. It is therefore advisable



for professionals to connect and brainstorm over current problems affecting the industry because in sharing, organizations can build their resilience better.

Companies with BCPs were better prepared and focused to deal with COVID-19 than those without. As you may be aware, most companies have either massively downsized or closed shop altogether.

Moving forward, it is unlikely that we shall see things the same way again from normal working routines, working hours, physical offices, travel, performance management

and even risk management. In fact, I foresee a future where employee contracts will be output-based as opposed to being based on a retainer salary. In line with this, employees will have much more flexibility to work in a diverse manner including offering their skills to multiple organizations at the same time.

More and more people are likely to move from the hustle and bustle of city life to more serene environments that are also affordable, less stressful and healthier. The Education system is also likely to change radically to suit the market demands of people

who need to think outside the box. Schools are also likely to explore home schooling and move beyond traditional geographical boundaries. Any organization that does not adapt will definitely 'die'.

This has been a critical season for the Risk Profession as Organizations looked to them to help steer and navigate through the tide of COVID-19. Risk leaders are expected to be proactive in enabling their organizations identify future risks of uncertainty such as the current one. Additionally, risk leaders shall be expected to remain key advisors to

their Boards and Senior Management teams.

Advisory needs to remain independent, objective and well informed. This means that risk leaders need to keep abreast with the most current information and changes in public policies. Moreover, risk leaders are also expected to raise red flags on anything that could go wrong so that it can be nipped at the bud on time.

The survival of most organizations may actually rest on the role of risk leaders during this volatile season.

## Risk-Tab



**Risk-Tab System** is a cloud-based enterprise risk management system. The system assists organizations to stream line the processes of risk identification, assessment, categorization, treatment, tracking and reporting. The system can be recommended upon provision of our risk consulting services or as a stand alone service to the client. This system is suitable for any organization that intends to manage and track risks.

### Five Key Features of Risk-Tab System

1. **Track & monitor risks:** The system tracks risks over the long term hence eases decision making.
2. **Scalability:** The system is not dependent on a specific product or system and can grow as the organization grows.
3. **Safe and Secure:** Risk Data and Information can be centralized in one safe and secure place.
4. **Simple:** The system is easy to use; it demystifies the matters of tracking risks.
5. **Flexible and Available:** The system is cloud based one can access it at any time.

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# Top 5

## Risks facing SMEs post-covid

1. Reduced demand of goods and services.
2. Surplus chain disruptions.
3. Inability to meet operational costs.
4. Businesses moving to virtual working spaces.
5. Human resource management.



*By Ronke Adepoju  
Director, BAYI Foundation*

# Getting the Right type of Financing for your Business

Private Equity financing in Africa as at 3Q 2020 was at least US\$363M<sup>1</sup> an impressive figure despite the Covid pandemic. Small and Medium sized Enterprises (SMEs), typically the beneficiaries of such financing, comprise the backbone of Africa's economy, accounting for approximately 90% of all companies and providing nearly 80% of employment. Studies show that over 40% of SMEs state that the primary factor constraining growth is access to finance. Estimates put the Africa funding gap at more than US\$140bn<sup>2</sup>.

This lack of funding has resulted in many SMEs being forced out of business in their first year. However, access to funding is just a start; funding sometimes camouflages the real business problem. Studies of African SME businesses show that the root problem sometimes lies

in business/operating model and structural issues. If an entrepreneur does not fix these strategic and/or operational misalignments, funding, acting as a catalyst, will only amplify the issues. The key is getting the right type of funding for your business at the right time.

An SME must consider:

1. The stage your business is in (startup, growth, mature)
2. The amount of financing needed
3. When you need the financing
4. The type of financing you need
5. The amount of control you are willing to give up
6. The growth/value of your business
7. The use of funds
8. The expected outcome/returns of the financing
9. How much you are willing to pay for the funds
10. Your financing partner

Number 4 and 5 above are especially important as some SMEs are not ready for Equity financing, which entails giving up some amount of control. In fact, some of these SMEs don't yet meet the criteria for Equity financing. In such cases, the SME may be a better candidate for Debt Financing which comes with clearly defined terms.

There is a plethora of debt financing options that may be what your business really needs, such as Loans, Lines of Credit, Peer-to-Peer (P2P) Lending, Trade Credit, Working Capital financing, Factoring and Leasing.

Some of these alternative financings vehicles are typically not offered by banks but available through organizations/associations like SACCOs (Savings and Credit Cooperative Organizations). These debt financing vehicles offer the

1 TheCommerceAfrica.com  
2 LSEG Africa Advisory Group

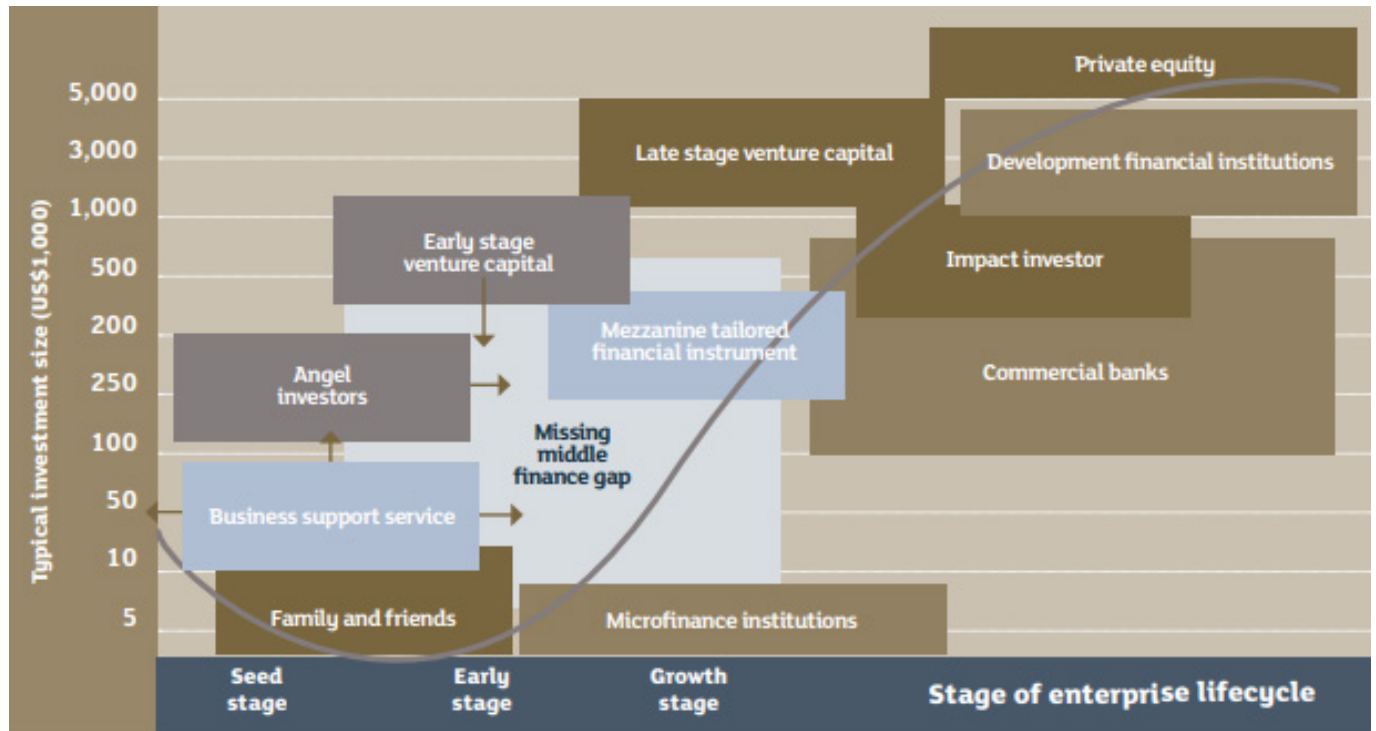
flexibility SMEs need in terms of financing design and repayment.

Organizations such as SACCOs provide joint liability, informal monitoring and accountability, encouragement of appropriate

investments, reduction of adverse selection of members and social pressure to prevent defaults.

For the SMEs ready for Equity and/or Trade financing, BAYI Foundation provides resources and training to

identify the type of financing best suited for your business. BAYI is focused on bridging the missing middle financing gap of African SMEs, and our programs provide the business knowledge and structure you need to make your business ready for funding.



Source: LSEG Africa Advisory Group

## OUR CREDIT MANAGEMENT SERVICE

We assist businesses that extend credit to manage their credit portfolio and recover delinquent debts cost effectively. We have identified the following as recurring issues faced in credit management:

- Slow or non-paying customers.
- Bad debts from unpaid debt.
- Loss of valuable time when staff engaged in collecting debts.
- High legal costs when suing for unpaid debts.
- Providing for doubtful debt instead of investing in such funds.
- Declined value of funds due to inflation.

### Our Solution

**Debt collection call center**  
We have a well-established call-center manned by experienced trained staff members to follow-up overdue accounts.

**Commercial Collection**  
We focus on organizations with unpaid debtors from other organizations.

**Debt Surveillance**  
We monitor long outstanding debts that may have been written off by companies and make attempts to collect them on the client's behalf.

### Current Industry Practice

The standard practice is that suppliers extend credit to their clients ranging from 30 days to 60 days. Any account that remains uncollected beyond 30 days is considered overdue while any account that has remained overdue for 90 days or more is considered in default.

### Your Investment

We operate on a no collection, no fee basis. We charge upon collection: a commission rate of 15-25% for all debts aged over 90 days and 10% for debt below 90 days. These rates are discussed with clients before contracting our services.

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# Risk Management: No longer a *good-to-have* but a *must-have*



By CPA *Caroline Gathii*  
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Risk Expert with FirstIdea  
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*“The dramatic spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide. All stakeholders, especially global business, must urgently come together to minimize its impact on public health and limit its potential for further disruption to lives and economies around the world. But the sum of many individual actions will not add up to a sufficient response. Only coordinated action by business, combined with global, multi stakeholder cooperation at exceptional scale and speed can potentially mitigate the risk and impact of this unprecedented crisis.”*

This was the statement made by the World Economic Forum during the height of the COVID pandemic.

It is no longer business as usual, risk management in all facets of business and in all organizations need to be enhanced with speed. The world is indeed a global village, we interact, we trade, we talk, we travel we depend on each other. We are interlinked with each other world over. When the pandemic erupted in China at the end of 2019, it looked like a distant story that we read on the press and watch on the news. It took two short months to spread to the rest of the world and less than a month to disrupt the supply chains, grind to a halt international travel and create significant disruption to our lives and businesses. The supply chains were disrupted, we could not travel anymore, we started working in virtual office spaces, schooling was abruptly stopped (albeit physical schooling). We are intertwined, risks affecting any part of

the globe has some potential to impact all of us in the rest of the world. A good friend once joked at the beginning of the pandemic, “China sneezes and the rest of the world catches a cough” and now quite literally. Risks are interdependent on circumstances and occurrences; we cannot afford to lock ourselves in our offices and do risk analysis conclusively on our own.

The World Economic Forum Global Risk Report 2020 states that infectious diseases were rated as one of the top risks for the next ten years in regard to impact to the globe. Other top risks in terms of impact to the globe include: biodiversity loss, climate action failure, water crisis, human-made environmental disasters, extreme weather, weapons of mass destruction, natural disasters,

food crises and cybersecurity. Impact means the extent of loss that would occur if the risk actually materializes. Most corporates have concentrated on cybersecurity since it is more internal and immediate to them. The interconnectivity of risk has not been one of the elements that has been given precedence.

The Cambridge Dictionary defines connectivity “the state of having different parts or things connected to related to each other”. The pandemic has exposed our interconnected and dependencies around the world. It is clear that interconnectedness and dependencies are inevitable; businesses will depend on input or output resources from other entities or persons. In the risk profession the key analysis that we need to do is ask ourselves how do these dependencies affect our businesses; what if these dependances do not work or are compromised what solution do we have in place to ensure business continuity. Organizations should therefore identify potential threats and their impacts to business operations. The threats should be critically analyzed to understand their impact on business; after which a clear guideline on how to minimize business disruptions should be established. A collaborative effort of risk professionals is critical where professionals share insights and ideas on how to handle external risk; share success stories; brainstorm on dependencies and how to analyze them. A community of practice for risk professionals would be really helpful to address some of these critical external risks that affect organizations.

Risk professionals should be undertaking some critical reviews during this time to ensure that they provide guidance on the impact of the pandemic to their respective organizations. An assessment of the impact COVID on the key objectives taking into account the new demands and changing priorities. They should make a critical analysis of any skills gap in performing the risk roles. It is critical to collaborate with other professionals including medical experts to provide much needed insights to the risk analysis process.

Crisis communications is critical during such pandemics and it is critical to establish proper communication protocols and processes to manage both employees and external stakeholders. Supply chain risk management is another important perspective during this pandemic.

Supply chains have been disrupted and the situation is fairly dynamic. It is therefore paramount for professionals to keep abreast with the pandemic as well as changes that are taking place especially where organizations are dependent on supplies from other organizations in

different regions and countries. They should also keep abreast to emerging risks like cyber-attacks, fraud, data security amongst others.

The employees are key in the success of any organization. The organization work place should be kept safe; employees should be provided with protective equipment to ensure that when they are in the workplace there is minimal possibility of infection. Organizations should ensure that they uphold the health and safety protocols issued by their respective government agencies. In circumstances where employees are able to work from home, then the employer should provide necessary equipment to do so. There should be enhanced controls for working from home while maintaining standards of data security.

Organizations will need to keep a greater visibility over their supply chains than ever before, in order to find areas of any challenges in order to improve efficiency, reduce the chances of disruption and stay competitive. They should consider conducting due diligence on their suppliers. The suppliers should have in place current and comprehensive business continuity plans. It would be prudent to seek alternative suppliers incase there are any interruptions. A review of all contractual agreements taking into critical consideration of the force majeure provisions would be another important task.

The new normal has presented challenges that require re-thinking and working especially on the controls and procedures. The controls that majority of the organizations have in place are designed for the physical work environment or when there is actual physical interaction within an office space. The procedures will need to be reviewed with the current status of virtual working spaces in mind and where only essential staff are at the physical work place. There is need to ensure that risk assessment is conducted to evaluate the different scenarios. There should be a process of designing relevant and appropriate procedures and controls based on the risk events, causes and current circumstances. The controls and processes should be implemented as soon as possible, this will enable organizations to minimize losses and hence stabilize the organization as risks will be within the risk appetite.

Risk management is no longer a good to have but a must have. It should be function that adds value to the organization by ensuring adequate preparation for the future business place as well as ensuring compliance to required regulation while creating value to the shareholders.





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# Risk Management in the Insurance Sector: Why is it a must-have?



**By Nancy Aketch**  
Executive Director,  
School of Insurance

*Every industry suffers its share of risks, and the insurance sector is no exception to this rule. Likewise, every industry has in place methods to negate the risk, namely risk management, and this is something that Africa's insurance sector is still building upon.*



'Risk' in the insurance sector is indicative of a loss or an adversity that could hamper the organization's ability to fulfill its commitment to settle the claim submitted by the aggrieved party. In simpler terms, it implies that presence of risk is not just a threat to individual business entities in the sector, but also to the industry as whole in terms of revenue and its impact on society. This is where risk management comes in. It entails putting into place specific procedures that would not just minimize the impact of the risk, but also facilitate its effective removal. Isn't this reason enough for Africa's insurance sector to include risk management as one of its core portfolios?

The insurance industry describes risk as something that may be predicted, but is often unpredictable, and causes harm. Elements that stir up the trouble are referred to as risk factors, and these could manifest either singularly or in combination. Their outcome could range from downsizing of staff to compromising on the organization's objectives and the revenue. Anyone could be vulnerable to risks, and that is why it is important to have some form of protection in place. Managing risks is a necessary must-have in every

entity's arsenal, regardless of whether it is an individual, a small business or a large organization. Maybe it would not avert the disaster completely, but it would surely mitigate the impact and minimize the damage.

An organization's reputation is through its employees, and nothing could be more valuable than an employee that shows loyalty and feels involved. This is particularly crucial when a risk factor strikes, wherein employees' involvement could prevent escalation and possible negative consequences. Risk management, in this context, plays an instrumental role in cushioning the fall-out.

Risk management is not something that happens in a day or during a single meeting. It evolves over a period of time provided it is nurtured by a tenacious and far-sighted management. Members of the senior management must assume the responsibility of being a risk manager wherein he/she would involve their team to recognize there is a risk and resolve it as effectively as possible. Controlling risks is all about decoding them and to this effect, the very first step entails recognizing the need for risk management insisting on its inclusion.



By **Stella Kiguta-Ng'ang'a**  
Corporate Communications Director,  
Crisis Management Expert and  
Brand Public Relations Specialist



# Crisis Management: The New Order of Business

## The year that changed our lives

On 1st January 2020, I, like you, ushered in the new year, with high expectations, never imagining the world as we knew it would change forever. With all that's happened in 2020, it's safe to say that rapid change (positive and negative) as the order of life and business going forward. Failure to prepare for a transforming world is a sure catalyst for a crisis.

## Defining Crisis Management

The Institute for Public Relations defines crisis management as “a significant threat to operations that can have negative consequences if not handled properly.”

The days when companies would wait until a crisis to take place so they can act are long gone. Today, any seasoned company regardless of size will include risk, issues and crisis management at the core of business planning.

## Effective Crisis Management

Effective crisis management is an organisation-wide effort which begins before a crisis happens. It starts by identifying potential issues and risks within and outside the business, which can injure trust and reputation, negatively impact the bottom line, and harm relationships with internal and external stakeholders.

An organisation must undertake scenario planning and determine the appropriate remedial and mitigation plans to prevent problems from materialising. The business will also assign key individuals to champion risk, issues and crisis management.

Further, the CEO should work closely with the Corporate Communications team to draw up a robust crisis communications plan. This plan should include different scenarios at play and provide supporting key messages and internal/external statements, among other tools.

Finally, a solid plan will also include an opportunity to review an organisation's response and stakeholder actions during a crisis. This will help the business mitigate future risks, respond more effectively for the future and keep plans regularly updated.

## Are you ready for the next crisis?

The COVID-19 pandemic has brought numerous changes, some of which will be felt for years to come. The aviation sector, for example, estimates that it will commence recovery in 2024. Supply shocks have disrupted entire industries, and many will need to rethink their value chains. The future work has also been transformed with the rapid move to remote working.

To mitigate ongoing and upcoming crises, here are my Top 5 tips on what you can do immediately:

- 1. Philosophy:** Keep the “don’t waste a crisis” philosophy front and centre. How can you leverage a challenging time to emerge stronger or innovate?
- 2. Prioritise:** For the foreseeable future, risk and issues management should rank high on the leadership team’s agenda. Designate a crisis management team reporting to the CEO. Additionally, the discussions at the top table should cascade to employees, so the entire organisation is continuously improving on detecting emerging issues.
- 3. Plan:** A famous quote says, “If you fail to plan, you are planning to fail. It wasn’t raining when Noah built the ark”. When creating risk, issues and crisis management plans, think broadly. Think about changes (both positive and negative) taking place within and outside the company and industry. Not many organisations had envisioned a global health crisis as one of the business risks to mitigate. Going forward, they will.

Remember, planning is a collaborative effort. It’s more than putting up fancy plans in well-bound documents. It involves placing and testing systems continuously, as well as stakeholder engagement with employees, governments, suppliers, industry partners, among others.

- 4. Practice:** Stress-testing and physically simulating crisis plans ensure they are as robust as possible. This level of preparation gives room for a smoother and swifter response when a crisis happens.
- 5. Performance:** When a crisis happens, how quickly you deploy your plans and correct the problem is vital. Execute with discipline and finesse, ensuring you are regularly communicating with all your internal and external stakeholders. Remember everything is at stake – your reputation, your bottom line, public safety (where applicable) and stakeholder relationships.

Remember, a crisis is born when an incident (good or bad) is mishandled. Take charge and get your crisis management plan ready today!

DATE	MODULE	TARGET	HOURS	COST (USD)
02 December 2020	Introduction to Risk	Board Members Risk & Audit committee members Senior Management	3	50
03 December 2020	Credit Appraisal	Credit Staff Members Loan Officers Debt Recovery Officers	3	40
09 December 2020	Risk Management Framework	Board Members Risk & Audit committee members Senior Management	3	50
10 December 2020	Credit Securitization	Credit Staff Members Loan Officers Debt Recovery Officers	3	40
06 January 2021	Risk Responsibilities	Board Members Risk & Audit committee members Senior Management	3	50
07 January 2021	Credit Quality Assurance	Credit Staff Members Loan Officers Debt Recovery Officers	3	40
13 January 2021	Risk Appetite	Board Members Risk & Audit committee members Senior Management	3	50
14 January 2021	Credit Monitoring & Collection	Credit Staff Members Loan Officers Debt Recovery Officers	3	40
20 January 2021	Risk Monitoring & Control	Board Members Risk & Audit committee members Senior Management	3	50
28 January 2021	Risk Conference	General	6	40
03 February 2021	Introduction to Risk	Risk Staff Members Internal Auditors Compliance Staff Members	3	40
10 February 2021	Risk Management Process	Risk Staff Members Internal Auditors Compliance Staff Members	3	40
17 February 2021	Risk Management Standards	Risk Staff Members Internal Auditors Compliance Staff Member	3	40
24 February 2021	Risk Assessment	Risk Staff Members Internal Auditors Compliance Staff Members	3	40
03 March 2021	Risk Treatment	Risk Staff Members Internal Auditors Compliance Staff Members	3	40
10 March 2021	Risk Reporting & Monitoring	Risk Staff Members Internal Auditors Compliance Staff Members	3	40



First Idea Consulting

## TRAINING CALENDAR

DEC 2020 - MAR 2021

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