



Business risk: a false sense of confidence could bring australian businesses back to pre-covid (un)preparedness levels

An exclusive australian business risk research report

Executive summary

The COVID-19 pandemic and its associated risks—be they staff shortages, cybersecurity or supply chain disruptions—underscored the need for organisations of all sizes and maturity to build resilience for today and tomorrow. Business leaders took heed and, as such, are now acutely focused on improving organisational resilience. Yet, many still have a fair amount of work to do to become truly resilient, despite the majority of organisations in Australia having invested heavily in risk management strategies and capabilities.

To determine why this is, we asked more than 300 Australian decision makers, via research house, Antenna, how their business has managed risk and resilience over the last 18 months, and which risks they expect to show up on their radar in the year to come.

Below are our findings, which include insights and recommendations that can help C-suite executives, risk managers and other business leaders better adapt their current risk approach and strategy to future-proof their organisation's corporate security posture against the next big crisis or disruption.



Highlights

- Prior to the pandemic, two in three Australian businesses had a continuity plan in place. But only half had planned on a pandemic scenario.
- Since COVID-19, 80% of Australian organisations now recognize the importance of adding a full continuity plan to their business.
- While most businesses are confident about business preparedness, and comfortable with known risks, less than a quarter (only 19%) strongly agree that their organisation has the ability to comprehensively and continuously discover risk indicators that may impact their business.
- Encouragingly, almost all businesses have invested in their organisation's resilience—with 25% having invested over AUD \$100,000 between 2019-2021—and a large majority (72%) have increased employee responsibilities, distributing

Helen Sutton, Senior Vice President, EMEA and APAC, Dataminr

"If corporate security leaders weren't aware before, the COVID-19 pandemic certainly highlights that the biggest risk to businesses today is unknown and unexpected risks. This is why, more than ever, Australian organisations should continue to invest in people, processes and technologies that allow them to remain proactive and prepared to handle any risk or crisis".

"Today, risk managers are faced with a constantly evolving threat landscape. The only way to stay ahead and prepared is to constantly be scenario planning across functions, and invest in an agile workforce that is equipped to detect and mitigate a diversity of potential threats. Don't wait to challenge your existing workflows, toolset and incident management strategies. "

Methodology

This report, conducted in January 2022, is based on a survey of 329 Australian business decision makers from all states and territories, commissioned by leading real-time information discovery platform Dataminr.

Respondents, who represented a wide range of industries including healthcare, education, government, manufacturing, information technology (IT), telecommunications, financial services, retail and more were asked how their business has performed during the last 18 months and what they foresee as the major risks and issues that they will potentially face in 2022.

This report is a detailed exploration of Australian businesses' approach to business continuity, in particular in light of the COVID-19 pandemic.



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A (false) sense of confidence and preparedness?

The pandemic has had an undeniable effect on Australian business decision makers' view of risk and their understanding of why building and strengthening business resilience is so critical. It has also revealed how unprepared businesses were for such a crisis.

Prior to COVID-19, two in three Australian businesses had a continuity plan in place—yet only half of these continuity plans included a plan for a pandemic scenario. Since then, almost all businesses have invested in business resilience in some way. And, the majority now recognize the importance of ensuring their organisation has a full continuity plan in place, one that accounts for pandemics as well as other high-impact scenarios.

Australian organisations are again confronted with an eventful start of 2022: NSW and QLD floods, the Russia-Ukraine conflict, and more, all serve as proof that there isn't a foreseeable future in which a relaxed approach to business risks is advisable.

For many, the question remains—is your organisation prepared to mitigate new pandemic-related and unrelated risks and crises, or are leaders exhibiting a false sense of confidence across business threats in less urgent phases of the pandemic (e.g. periods of low transmission and fatality).

Out of the 80% of companies who recognise the importance of ensuring their organisation has a full continuity plan in place, only 64% have shared that they are confident that their organisation has everything in place for 2022.

Even more concerning, a quarter of companies who do recognise the importance also shared that they don't feel that the risk landscape has changed in the last five years and that they haven't had to adapt. This is contrary to both the regional and global perception and suggests a laissez-faire attitude.

And as we'll see later in this report, the amount businesses have invested in business resilience remains comparatively low overall.

Helen Sutton, Senior Vice President, EMEA and APAC, Dataminr

"The issue isn't that businesses aren't prioritising risk management and business resilience, because most of them have had to do that in some capacity because of the pandemic."

The real danger is that investments from the past two years have mostly been in resilience strategies that are specific to COVID-19 events and risks as they were naturally more front and centre. However they have not been expanding that same risk approach and mindset to other areas of the business and risk landscape."

This lack of a wider, holistic risk management approach is leaving businesses vulnerable to unknown and emerging risks as well as unforeseen crises and disruptions —in the same way they were vulnerable when the pandemic hit.



Challenges of identifying and managing new, unknown risk

Australian businesses are almost unanimous (75%) in believing that the risk landscape in which their organisation operates is larger and continuously evolving and that this is the real challenge.

Unsurprisingly, COVID-19 remains the main concern for businesses in Australia (67%), closely followed by the cascading risks that the pandemic has created. Staffing (45%) and supply chain (40%) are also concerns. Then there are the usual suspects, such as cybercrime (25%) and climate change (20%), which continue to pose growing threats to businesses operating in Australia.

There is, however, another category that is proving to be the most challenging and leaving businesses feeling unprepared: unknown risks (20%). While most businesses are confident about their preparedness for known risks, they do not feel well positioned to effectively identify, prepare for and respond to new, unknown risks.

Three-quarters of businesses feel the risks to their business have increased in recent years. COVID-19 and its lingering effects remain their main concern in 2022, with a cascading impact of the pandemic affecting staffing shortages and an unstable supply chain.

The ability to continuously identify new risk factors and prepare for unknown risks requires a very specific set of skills, technology and mindset. Perhaps that is what Australian organisations are lacking, despite feeling that they have invested and done enough as a result of the COVID-19 pandemic.



Distribution of risk: who's in charge?

Managing and responding to risk—especially if it's unknown isn't something organisations can improvise. What's encouraging is that many organisations during the pandemic have put an equal emphasis and spending across people (37%), process (31%) and technology (32%), distributing the risk responsibility.

When it comes to people, it seems that Australian business leaders have put a strong emphasis on upskilling existing staff and spreading risk responsibility across different functions within the organisation. This is very positive as it means less reliance on external experts (less than a third of respondents have invested the equivalent of a skilled risk professional salary in external risk expertise), and more investment in building a company-wide mindset around risk awareness and ownership.

The majority of organisations have given existing employees additional roles and responsibilities in risk management (72%), and created a risk management/team (71%), which shows a willingness to empower staff and de-silo risk management and corporate security.

Luke Coley, Director APAC, Dataminr

"We've witnessed an increasing amount of our corporate customers investing in strategic processes that de-silo corporate security and operationalise efficiency.

"The burden of discovering and preparing to respond to risk shouldn't entirely be put on risk managers. A holistic view and ownership of risk management is encouraged, and organisations need to prioritise investments in technologies that can empower their staff across departments." With access to real-time information, geovisualization and intuitive incident management capabilities, teams can better collaborate and confidently respond when a risk arises."

5 recommendations to build risk confidence in 2022

Practice makes perfect

Scenario planning should be much more than a box ticking exercise, it has to become an intrinsic part of a businesses' routine activity. The risk landscape is complex and constantly evolving, therefore, organisations can't work with a 'set and forget' approach when it comes to risk strategies and practices. While some high-impact events will always have an air of unpredictability, scenario testing will provide the requisite individuals with the power to act in a timely, confident and accurate manner.

Don't focus on known risk only, unknown risk is the biggest risk

There are risks within organisations that are well known, whether it be cyber threats, a pandemic, staff shortages or supply chain disruptions. While these are certainly areas that a business needs to remain vigilant on, it is the unknown risks that have the ability to have the biggest impact. The majority of businesses surveyed in the study aren't confident that they can identify new risks, leaving them vulnerable and unprepared.

Embracing risk as an opportunity

To some, risk management strategies can seem unnecessary when there is no crisis on the horizon, and, equally, not a priority enough when a crisis event does arise. However, it's far more beneficial and drives far better outcomes to regard preparedness as a positive driver for risk prevention and even innovation. Instead of fearing or ignoring potential risks, organisations must embed flexibility and preparedness within their culture from the top-down.

Empower people, foster collaboration and support processes with the right technology and real time information

We've learned over the last few years that a combination of human intelligence and technology normally delivers the best results for an organisation—risk management is no different. Informed decisions based on real-time information helps create stronger risk and security strategies, and enables organisations to make accurate and critical business decisions. But to implement, understand and embrace such technology requires employees to be empowered. Risk needs to be everyone's business—silos of information within organisations are not the answer. Collaboration and information sharing should be second nature and will enable a far more proactive culture.

Be proactive, not reactive

Learning of a crisis for your business via a mainstream news channel, a customer or any third-party, means you are already too late. Oftentimes this leads to rushed and ill-judged decision making while operating on the backfoot. Now is not the time to put away the risk playbook. As we begin to settle into post-pandemic life, risk management must remain a priority for businesses to ensure they can proactively prevent future crises.



Conclusion

- There is no denying that the last two years have seen an unprecedented amount of high-impact events, which have challenged Australian businesses and the way in which they view risk. While it finally looks as if COVID-related restrictions are becoming a thing of the past, this is not the time for organisations to put away the risk playbook and simply wait for the next crisis to emerge. While there has been investment in risk management procedures among Australian businesses, the research shows that it's not sufficient enough and it's not in the right areas—dedicated personnel and technology.
- These last two years have also earned risk management a seat at the boardroom table, and there it must remain. It's the responsibility of the C-suite to drive this culture forward and empower its people, processes and technology to deliver first-rate risk protocols designed for an organisation to act quickly, accurately and with confidence in any scenario.
- Business resilience is what has ultimately separated those organisations which have survived—and sometimes even thrived—and those that haven't. This will remain true for every new crisis or risk factor that comes our way.

SERC Senior Security Advisor, Major Australian Utilities Provider
Dataminr Customer

“When you look at Dataminr, my thinking is if it gives you even two minutes advance notice of an event, prior to anything coming through other media, that's money well spent.”