



Dealing with Uncertainty & Disruption with Effective Risk Management



About the Author

The insight provided in this handbook comes from iGrafx co-founder and CTO, Ed Maddock. Ed is responsible for the design, development and delivery of all iGrafx products. He has more than 30 years of experience supporting business process management solutions as well as delivering services that help companies optimize their business.

Introduction

In recent months, the whole world has been plunged into chaos and uncertainty to some extent. Regardless of the industry, many companies faced production delays, supply chain outages, problems realigning their workforce, missed revenue forecasts, and other massive disruptions to business operations. This also means that people are starting to delve deeper into their core business processes. For more than 25 years, iGrafx has been supporting companies in addressing a wide range of complex challenges, including how to anticipate potential challenges as well as how to build and establish effective risk management within the company. A process-oriented approach is a fundamental prerequisite here. There are a large number of companies that are offering services in the field of risk management, but if these services are outside the context of the process-centric business model, they leave behind a variety of gaps that may be difficult to identify or report on effectively.

Risk Management for Operational Continuity

In 2016, the International Organization for Standardization (ISO) published a report in which the perceived threats and the time required for each threat was discussed from an organizational point of view.

The Business Continuity Institute published a document shortly before the current pandemic, which states that a non-occupational disease (such as COVID-19) would have very little impact. This was obviously a miscalculation.

This is one of the things that clearly shows how we missed the mark in the planning process. Why is that? When modeling a company, the business model must effectively articulate and capture ALL key objects that will be impacted so that complexity can be better understood. It seems quite clear that many companies tend to take an IT-centric perspective. At iGrafx, we fully agree that technology is essential for the operational continuity of companies, but also point out that the scope is too narrow. People and Processes are also crucial. If you look at business modeling from a pandemic perspective, it is obvious that People and processes have been largely ignored.

Conversely, highly regulated industries and those that need to focus on regulatory changes are naturally well prepared because they have established effective risk management within the company and can therefore respond more quickly. And we know that they are effective in because they apply process-oriented business models.

Overcoming Complexity

A company is a complex organism with many relationships between all its various parts. Whether between people, strategies, goals, or capabilities, all these relationships are part of the dynamics that make up an organization. In addition, they all are associated with their own risks and necessary controls. If you then add the technology layer, that is the applications and system infrastructure, along with all other critical parts of the enterprise, will find multiple overlaps across many processes within several parts of the organization. This degree of complexity is due solely to undocumented knowledge.

Tools are needed to deal effectively with this complexity. The most basic of these is a process-oriented business model. What does that mean exactly? Obviously, processes will be crucial. Today more than ever, for continuity and resilience, you must be able to manage the risk of impacts and maintain the operations of your business. These critical processes are the foundation. When it comes to managing large scale incidents i.e. global pandemic this type of instrument is also used for overall business transformation. A process-oriented model shows ways to improve your work.

When identifying where processes may be improved using technologies such as process mining, robotic process or workflow automation and other tools, understanding this complexity and the potential impacts will also help identify where the most effective ROI is may be achieved.

When taking a process centric approach to business modeling, we thus have the ability to reduce the impact of a major disruptions and provide clear understanding of actions necessary to restore the business-critical operations.

Business Transformation Platform

To build these types of models, you need a tool that considers the context of the overall business architecture. This allows for better decision-making because the effect is clearly defined and easy to understand.

When modeling the potential risk and impacts of COVID-19, for example, these models are incomplete without an effective common denominator. We certainly know how important modeling is, but it is equally important to have a complete set and understanding of the data.

Impact models are crucial to making better decisions so potential impacts can be understood and managed. In the case of a high severity incident, it is necessary to ask questions

- What are the effects of a shutdown of the economy?
- How does this affect all the different aspects of our daily work?

This is an extremely complex set of circumstances. Can you imagine a company today managing its financial data without some sort of spreadsheet? This may sound like a crazy idea, yet many organizations try to manage their complex processes without operating an operational or process-oriented business model.

Without understanding the complex interconnectivity and effects of changes to these operations, decisions are not well-founded. A business transformation platform is essential to understanding the complexity of a particular model and managing the risk effectively.



DATA VS. IMPACT

It is also important to know the distinction between data and impact. Key Performance Indicators (KPIs) are useful to see what has happened, but they are a kind of rearview mirror. While it is helpful to view things that have happened, we cannot make comprehensive business decisions based solely on precedents, or data, that have occurred in the past.

Risk assessment is slightly different. It makes it possible to imagine what could happen next, and most importantly, the potential impacts. We know and understand that when an incident occurs, the consequences may be felt in the several areas. A process-centric business model provides the visibility of data and impact together, in the context of the process, to fully grasp the effect of a risk incident.

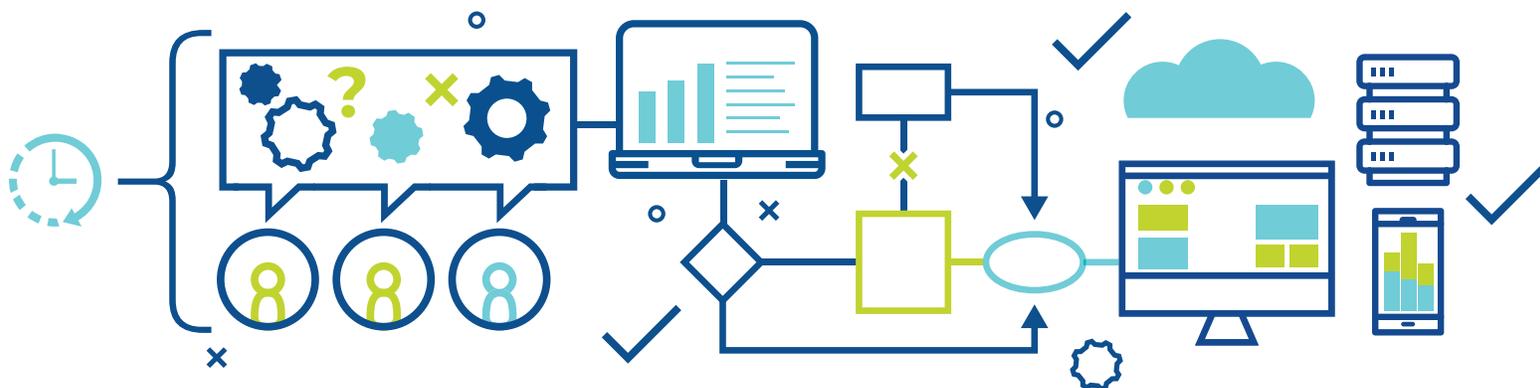
Mitigation of Major Risk Events

The current pandemic is pretty much the most significant disruption we have ever experienced. In the containment of the risk impact, and ensuring operational continuity, here are three main categories of to be considered. *There are more than three, but these are a good start for a process-centric model.*

IDENTIFY CRITICAL PROCESSES

This is not surprising. With a process-centered model, you need to identify critical processes. It is important to reduce the risks not only from a high strategic level, but also from an operational process level.

When the inherent risk increases, are the current controls sufficiently effective? To answer this, we need a risk management system that also captures the effectiveness of control. For this level of detail, we need a process-oriented business model. This makes it possible to quickly identify and mitigate the risk and improve the ability of business operations to continue.



IDENTIFY CRITICAL SUPPLY CHAIN

Knowledge of the locations of the components of your supply chain is crucial and is directly related to operational processes and the resources concerned. Only in this way, you can analyze your workflows, which are regional problems and identify the potential for global disruptions.

In addition, understanding these connections make restoration possible when services come back online.

IDENTIFY CRITICAL PEOPLE

This is particularly important in the event of a large-scale disruption. Implementing a backup strategy of responsibilities to ensure that key processes are always covered. This will enable an ongoing positive customer experience as well as maintain operational business continuity.

When utilizing process centric business model, you will reduce the time lost trying to determine who is responsible for making decisions and solving problems as they occur.

This also underlines the importance of documenting processes and keeping them up to date. When inherent knowledge is readily available, people can be onboarded quickly and effectively improve their work. These processes should include supporting systems necessary for employees who work remotely.

Another important aspect is recovery. How do you bring people back online? What employees or production sites are in affected zones? Understanding the degree of impact is extremely important when planning to restore the workflows.



Key Components of a Business Model

The first and most obvious component is creating the process landscape itself. To do so, we must understand if these processes are end-to-end flows like order to cash? Are they ownership related so you know what organizations owned what processes? Are they customer journey related? Whatever the nature of the process landscape, you want to make sure it is captured in the business model.

Organizational elements are also key. You must be able to understand the roles, the people who fill those roles, and their location. As an example, there are often times when a role is responsible for a process. If you have multiple people who are capable of filling that role, you now have the ability to mitigate potential risk and implement backup processes. You can plug in people appropriately based on their effective location and ability to perform.

You must be able to **represent your suppliers and partners**. This is crucial in the case of a regional or global disruption. Understanding the location of these suppliers and partners along with how they may be impacted will help to mitigate risk and ensure continuity by identifying potential back up suppliers. So, assessing them using one of the many tools out there for third party risk assessment. Keep an eye on them in case they suddenly, unexpectedly go offline.



And then of course the IT landscape. Applications, relative locations, data infrastructure, buildings all fall into this infrastructure category. Understanding the effect your IT landscape has on your processes is very important. If your IT systems or buildings are no longer available, that impact should be brought into focus so you can adequately mitigate the risk and impact.

At the center of all this is a **repository for the model and the process documentation**. You need storage for the actual procedural documentation and diagrams that go with those processes. What these processes are, down to the activity level, must be accessible. All of these are referenceable materials within a repository to look through when modeling your business.

And of course, metadata is crucial. What are the key relationships between these business objects? Are you able to understand where gaps might be, and the risk or impact associated with them? Each organization has key sets of properties they want to track and report on. The ability to have custom properties assigned to objects makes them referenceable and reportable. It also allows for effective decisions based on something that is very specific to their core efficiency.

Key Components of a Business Discipline

CHANGE MANAGEMENT

Once you are committed to building this process-centric business model, committing also to a disciplined change management process is vital. You must make sure that you keep it up to date. Schedule reviews, drive model updates and make sure they are effective. Monitoring your processes through KPIs may require process change as well. And through all these changes they need to remain auditable. You cannot rely on tribal knowledge. It must be articulated in the model. Above all though, meaningful change requires disciplined management.

CONTROL ROOM

We see cases where organizations, especially in the financial services area, are looking to implement concepts like a control room to monitor their associated KPIs. These organizations seek to operate by strategy-based metrics in the context of a control room where processes and actions go through centralized validation. The key consideration is the context of the process that you are trying to measure. Having the business model gives you this context. You will see the framework in which to slot in a control room structure. The goal is not just about looking at data, but rather to understand the impact of that data across your organization. Control rooms are another case where the process-centric business model is so important.

SWITCHING THE MODE

Organizations need to start considering the idea of context switching. This means moving from “Normal Mode” into “Emergency mode” in the event of a major disruption. There are processes to switch and, once the event has passed, to switch back. Designing those switches upfront allows for quicker reactions to these kinds of risks. This is another form of control process, the utility and flexibility of which comes into focus when looking at a process-centric model.

What About Technology?

PROCESS MINING

Can technology such as process mining help with Risk Management. The answer is both Yes and No.

Process Mining is a fantastic tool that is great for discovery over and above whatever collaborative work you may be doing to collect process information within an organization. It is also fundamental to identifying key opportunities for process automation. As a result, process mining is also helpful for process documentation. If you identify a process that would benefit from automation, this technology can fill in the details of the activities that the process requires. However, process mining cannot predict the future. It depends on log files. In the event of an unprecedented incident, process mining loses its efficacy. But, if you layer this technology with a process-centric business model, then you strengthen the capabilities of both. You get an activity-level of understanding and documentation of your processes, paired with the high-level view of the relationships between processes. This level of detail can thus help provide a greater understanding of the potential impacts of a risk and allow us to implement more effective controls.

PROCESS AUTOMATION

You cannot talk about business technology and not talk about automation. Lately we have been hearing a lot about so called “hyper-automation”. This is the practice of applying automation as quickly as possible in an attempt to reduce the impact of people not being able to perform work. We at iGrafx have always warned against implementing or automating a bad process, let alone at high speeds. Therefore, you really need a process-centric business model to help identify the ROI tied to your automation strategy.

You also need to account for possible risk or compliance issues later. If you rapidly automate, but have not thought through the impact of compliance, that will put you at risk for the future. We have RPA integration to help with some of these compliance issues.

Going Forward

Next, we will discuss business modeling both during and after major disruptions. First, you can safely assume new regulations are going to come into play. We can simply look to historical precedent surrounding events like the financial meltdown of 2008, and before that SOX which was extremely important in terms of managing risk in terms of data privacy. More recently, things like GDPR and other data privacy regulations have followed. After the impacts of COVID-19 throughout 2020, we can be sure there will also be compliance requirements around business continuity soon to come. Getting a business model in place will help you pass audits of today and the future.

NOW IS THE TIME

Now is the time to build and enhance your business model. Why? Because mitigation is already top of mind. It is very real for the people within your organization and executives are feeling a tremendous need for it. They are naturally building up institutional knowledge for dealing with future risk to business operations and developing continuity plans. What better time to capture it than when the motivation is clearly there? You have momentum. Acting now will also build confidence within the organization to get through these challenges and share fresh ideas and suggestions. Informed leaders make better decisions. This builds confidence among the stakeholders within an organization whether they be employees, customers, or shareholders. It is important to have the tools described at your fingertips because the downstream effects will be profound.

PROCESS AS AN ASSET

The core concept is turning your processes into valuable assets. We have worked with various analysts over the years who share this idea. Using the business model to identify risk and enable business continuity allow organizations to implement effective controls and mitigate impact, as well as react quickly to shift gears into "Emergency Mode". This will provide the ability to prioritize and focus on what is critical to keeping the operations of your business running and maintain a positive customer experience. With this information you can now identify ways to augment your business model with technology like automation and mining that can improve efficiency and monitor effects.

The result is drawing processes out of that hidden layer. We are so accustomed to examining systems and people, but often overlook the invisible processes. Using this process-centric business model and the other considerations described above, will allow those processes emerge. When they stand on an equal footing with people and systems, true business strategy is allowed to form. The result is quick, decisive action to mitigate the impact of risk to business continuity during major disruptions.

Assessment Tools

The process-centric business model and the other things examined here are intended to augment and help accelerate the transformation process. Risk Assessment tools can help drill into these considerations. For example, understanding supply chain impact, resource coverage gaps, your risk analysis, performance monitoring, and the ability to react to regulatory change. Then they should provide some reporting templates and other helpful content. Look for tools that provide workflow solutions that are very targeted towards helping you understand impact, particularly around people and recovery services. Finding the right assessment tool means fully understanding the needs of your organization and reviewing service offers to determine a good fit.



Big Picture

Technology alone cannot solve a problem, address effective risk management, or ensure business continuity planning. The ability to identify business critical processes, the roles and people that utilize them, and clear understanding as to how any risk of interruption to the supply chain will impact operations and ability to deliver services to the customer is vital.

At iGrafx we do believe that process is the center of everything you do. We deliver a business transformation platform that turns your processes into a portfolio of valuable assets. Whether you are currently involved in operational excellence, quality management, governance, risk & compliance, performance management, improving customer experience, digital or business transformation, iGrafx provides the most comprehensive platform to support that journey





Thank you

From our team to yours

Contact us

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