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BUSINESS RESILIENCE AMID A PROLONGED REGIONAL HAZE CRISIS



BACKGROUND

Forest fires raging throughout the islands of Kalimantan and Sumatra in Indonesia have left many parts of the country enveloped in haze. In mid-September, there were almost 1,000 known hotspots on the island of Sumatra alone. A State of Emergency has been declared in Indonesia's Riau province, where the pollution levels have reached hazardous levels. Thousands of residents have left Pekanbaru, the provincial capital, to seek respite.

Indonesia's neighbors, Brunei, Malaysia and Singapore have been affected, and are struggling to cope with the effects of this transnational crisis. Brunei's Ministry of Health has advised the public to reduce outdoor physical activities and to seek medical treatment if they experience physical discomfort. In Malaysia, schools have been closed in several areas, including in the capital, Kuala Lumpur. Singaporeans have been advised to avoid strenuous outdoor activity, and there are also concerns that large-scale outdoor events such as the FORMULA 1 SINGAPORE AIRLINES SINGAPORE GRAND PRIX would not take place as planned.

WHY BUSINESSES SHOULD BE CONCERNED?

If conditions persist or worsen, business supply and value-creating chains can be significantly affected, particularly where suppliers reduce their workforce or business activities. Businesses in the tourism industry may also see declines in revenues as foreign visitors stay away from the region. Retail and F&B businesses may also be affected, especially for those offering outdoor experiences.

Prolonged haze conditions can take a toll on employees' health which may result in a rise in absenteeism and lower productivity. With poorer visibility, there is a heightened risk of accidents taking place, potentially resulting in injuries or even property damage.

CRISIS MANAGEMENT IMPLICATIONS

While many firms have procedures or plans for emergencies that impact on business continuity and/or crisis management, they may not adequately cover a situation such as prolonged periods of haze affecting employees and the general population on a wide scale. Even companies that have prepared crisis plans recently may not have had the opportunity to evolve or test those plans fully.

For many, if not all firms, it has become imperative to have a formal plan that ensures an organization-wide response that covers a prolonged period of disruption caused by haze. The plan needs to mitigate the risks to human capital, and address the concerns of employees and their families. It should also ensure the sustainability of the organization's business value-chain.

Marsh Risk Consulting recommends that a company's management reviews its risk management controls, human resource policies, crisis management plans, and crisis communications capabilities. Additionally, there are preventive and preparatory actions that can and should be taken now.

The key points for businesses to consider when preparing for a haze crisis situation are:

- Defining and communicating achievable and measurable objectives in terms of minimum production and/or service levels, taking into consideration potential impact on customers and business partners.
- Establishing plans that enable the organization to prioritize critical activities with the aim of continuing, recovering and resuming operations, where appropriate.
- Monitoring developments via media reports and government advisories, assessing the situation and devising appropriate responses to mitigate impact on human capital, reputation/goodwill, business value-chain, and finances.
- Adopting human resource policies that will instill confidence and goodwill among employees and their families, for example:
 - Regularly communicating with employees to provide assurance that workers' health and safety are of paramount importance, and that the company will take measures to safeguard them.
 - Flexible work arrangements and telecommuting which will allow staff to reduce the need to travel and expose themselves to pollutants outdoors, as well as to take care of sick family members.
 - Maintaining adequate stockpiles of particulate respirator masks and distributing them to employees and their families.
- Providing adequate health, medical and hospitalization benefits above and beyond the basic provisions stated in employment contracts, and possibly above the minimum requirements in the Work Injury Compensation Act.
- Adopting measures to ensure availability of crucial personnel to avoid essential service and production disruptions, by cross-training employees to ensure that there are co-workers ready to take over in the event that a worker performing a critical task becomes unavailable.
- Implementing strategies that mitigate supply chain disruptions, for example, sourcing for inbound materials from multiple suppliers and shipping locations, or identifying substitute products and services.
- Leveraging technology as enablers to support employees performing essential activities, such as providing devices and gadgets to facilitate access to email, vital records, and files, or re-designing critical tasks to reduce reliance on manpower.
- Regularly communicating with clients and business partners to devise and refine contingencies and workaround measures to protect critical supply-chain processes.
- Preparing in advance for crisis communications, to facilitate smooth execution in the event they are needed.
- Documenting, maintaining and rehearsing all parts of the business continuity, crisis and contingency plans to troubleshoot and ensure all employees are familiar with the plans.
- Checking insurance policies to ensure proper coverage for haze-related damages, for example, property damage and worker injuries. As some existing policies may not cover damages resulting from haze, businesses should consult with their brokers or insurers to include haze impact as a policy endorsement and add haze extensions to property damage policies.

The main thrust for an effective business continuity and crisis management response should be to preempt major incidents, reduce risk exposure, minimize impact, proactively communicate with key stakeholders, and adjust business strategies and activities to minimize the impact of high absenteeism, productivity loss, processing/production downtime, and supply chain disruptions.

Employers and human resource managers may also monitor developments on the ASEAN Haze Online website (<http://haze.asean.org/>) or on the websites of the respective countries' meteorological services:

- Brunei: <http://www.bruneiweather.com.bn/weather>
- Indonesia: <http://www.bmkg.go.id>
- Malaysia: <http://www.met.gov.my>
- Singapore: <http://www.nea.gov.sg/weather-climate/meteorological-service-singapore>, <http://www.haze.gov.sg/>

How Marsh Risk Consulting Can Help

For business continuity management (BCM) advice and solutions, please contact Lim Sek Seong, BCM Team Leader, Marsh Risk Consulting, via sekseong.lim@marsh.com or +65 6922 8089.

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