

# Recurring themes, new challenges



The current economic volatility against the backdrop of Asia's continued growth and ever-present cyber risks create many possible scenarios to prepare for in 2020, according to **Marsh's David Jacob**.

**A**s risk advisers, our job requires us to help businesses anticipate some of the emerging challenges and opportunities, and prepare for them accordingly. Here are some of those that I would be looking out for:

## Asia at the helm

The 21st century has been projected to be the Asian century. Asia looks set to increasingly influence, and possibly even dominate, the global economy, politics and culture.

In the next wave of 1bn individuals to join the middle class, 88% are predicted to be in Asia while Asian conglomerates are beginning to lead their respective industries internationally: China Railway, Huawei, Lenovo, Samsung and Toyota.

While Asia continues to produce more global business giants, we can expect business operations and risk issues across the region to become more complex. Risk management will have to grow accordingly in sophistication. Insurance penetration rates should also correspondingly expand to fill existing gaps.

As Asian-based risk managers develop their expertise, they should drive innovation in risk management by introducing new ideas, practices and standards to bring about evolution in risk-management protocols and insurance products. I would not be surprised if some of these end up being classic principles, just like how other Asia-originated principles like 'kaizen', the 'just-in-time' inventory management system, and even some of Sun Tzu's war stratagems, have become staples in business schools and textbooks in many parts of the world.

## A new generation at work

A recent piece of research, Mercer Global Talent Trends 2019, revealed some insights into shifting employee motivations. Mercer surveyed of thousands of employees, HR practitioners, and business leaders across the world. The results reveal a gap between employees' motivations, versus what HR thinks colleagues look out for.

The survey also discovered shifts in motivations between generations:

- Job security consistently ranked top – some things never go out of fashion.
- Other motivations traditionally considered important became less so to younger employees, for example, competitive pay, meaningful work, and convenient work locations.
- The above were recently overtaken by considerations like professional development, advancement opportunities, and a fun working environment.

Greta Thunberg's story would have been unimaginable even as recently as a decade or two ago. In her, we see a teenager who foregoes an education, and potentially a career, to dedicate herself to taking on some of the world's most powerful individuals on environmental issues.

I can imagine our future colleagues investing similar levels of passion and commitment as Ms Thunberg behind causes they feel strongly about. This is something we will have to accept, embrace and structure our organisations to be ready for and leverage.

## Increasing isolation of economies

Trade wars, political and military conflicts and events like Brexit point to increasingly isolated economies.

Political risks in doing business may be thrust in the spotlight. Access to markets where clients are located may be cut without warning. Revenue streams may be abruptly disrupted, affecting cash flows and profits. Payment defaults may also occur, triggering a domino effect along the value chain.


Supply chain disruption is another concern. Firms that are less diversified in terms of supply sources may be unable to meet delivery deadlines or have to pay more for raw materials. Increased trade tariffs and unfavourable currency fluctuations may further inflate costs and squeeze margins.

Movement of talent across borders may also be affected. Economies and organisations may find themselves with excess worker pools possessing certain skill sets, while experiencing a shortage in other areas.

Firms will need to plan ahead for these contingencies, putting together plans incorporating some combination of diversification, hedging, and risk transfer.

## Cyber security risks

This is a threat that has a high probability of surfacing, and also can cause severe damage. However few organisations do enough to protect themselves. A common misperception is that managing cyber security risks is all about building the best defence.

Cyber risk management also involves education, prevention, detection, response, and recovery. An holistic approach is required effectively to build up cyber resilience in an organisation. Organisations should look into all aspects to manage their risks, to be ready when the inevitable happens. 

Mr David Jacob is CEO of Marsh Asia.