

Recession vs. Risk Management

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Most businesses are struggling to contain costs and hunker down until the future of the credit markets and the economy becomes clearer.

This can be a good strategy, but the devil's in the details isn't it? When cuts are across the board or panic-driven, the law of unintended consequences often rears its ugly head.

Short-sighted ~

I remember my employer, a major insurance organization, responding to a difficult financial situation by not hiring the usual new trainees for one year. They paid dearly for that short-sightedness in huge staff and skills gaps for many years.

Risk management, including training, safety and loss control are often put on the chopping block in times like these. For many firms it feels easy to cut this 'soft' stuff – "We're in good shape. What could go wrong?"

Large company risk managers know the consequences: it costs 7 to 10 times more to fix a safety or risk management issue than to invest in prevention.

Business Insurance recently reported what can happen:

- Tighter budgets, less attention to training/ safety, and stretched labor can lead to more accidents
- Less managerial oversight often encourages ethical problems
- Layoffs can bring liability and discrimination claims in addition to sudden 'injuries' and much longer workers' compensation claims periods

What you can do ~

Doing more with less is often a necessity, at least for a while. What's important is not losing the priority of your long-term strategies.

- Discuss ideas openly with staff to get understanding and buy-in
- Get their input for effective change implementation – how to keep the priorities straight, maintain appropriate oversight and make change work
- Everyone's got to know you're not downplaying staff improvement, customer focus, worker and public safety – talk it up and walk the talk
- Discuss gaps with your insurance broker, risk professional and other suppliers – look for additional ways to get value-added training, assessments, inspections, testing and other help from insurers, brokers and others

Insurance rates are expected to start climbing later this year, and insurers are already clamping down with stricter underwriting. This is definitely **not** the time for you to have additional claims or look like you're doing a sloppy job with your risk management basics. High priority attention here will pay off over many years to come.