

## Covid-19 as a global, national, business and human capital risk

by

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Over the last two months governments all over the world have responded to the Covid-19 virus outbreak with national lockdowns in an attempt to curb the spread of the virus. These national and global efforts spearheaded by the World Health Organisation (WHO) achieved some successes in certain countries, although it appears as if the virus is out of control in some countries. It soon became clear that traditional approaches of dealing with pandemics would not work and that national, regional and global co-ordinated interventions are required. Furthermore, countries are at different stages of infection as the virus has spread from country to country at different times. For instance, the virus reached African countries last, and while the numbers are increasing, it will take some time before it will reach the high infections and deaths currently seen in Europe, China and America. However, things can only get worse if the rapid increase in infections is not limited and in particular in the light of the poor health systems in many African countries.

On 11 April 2020, the top ten countries in terms of the number of deaths were as follows:

COUNTRY	TOTAL NUMBER OF DEATHS
1. USA	20 456
2. Italy	19 468
3. Spain	16 480
4. France	13 832
5. UK	9 875
6. Iran	4 357
7. Belgium	3 346
8. China	3 339
9. Germany	2 736
10. Netherlands	2 643

Source: The World Index, 11 April 2020

While China initially had the highest number of deaths, Italy has overtaken them, and this week the USA moved to the top spot in terms of the highest number of deaths, while China moved down to number 8. South Africa had 2028 cases and 25 confirmed deaths on 11 April. It is evident that Covid-19 is a national disaster or emergency in most countries when it was identified as a major risk in almost all countries, hence the lockdowns all over the world.

At the next level, Covid-19 is a significant business risk, and even more so in companies that have ceased or downscaled operations, but also in all other organisations affected by the virus. Currently the infections are more prevalent in essential service organisations with direct contact with the public such as hospitals, the police, and the defence force.

From a business perspective, all companies are directly affected by the Covid-19 virus. When a country is locked down, it has serious ramifications for business, hence the special provisions instituted by

government to create relief funds. However, even when the lockdown is lifted, it will not be business as usual given the adverse impact on business activities.

Human capital risk has been identified as one of the most serious business risks and given the current crisis in dealing with Covid-19, companies need to consider how they will survive the detrimental impact on business. Yet, many organisations do not have integrated human capital risk management strategies in place, and this puts the sustainability of their companies at risk. In the increased volatile business environment caused by Covid-19, employees, suppliers and customers are particularly exposed to the risk of being infected by the virus. In addition to the obvious direct impact of Covid-19, other existing human capital risks such as skills shortages, HIV/AIDS, TB, and several other related risks are amplified and will result in significant costs and losses for business. Given the fact that labour is one of the biggest business costs, companies should invest more energy and resources in ensuring that Covid-19 as a human capital risk is appropriately mitigated. Careful planning, including scenario planning (from best to worst case) will be needed to decide on how this new human capital risk will be managed. While costs are indeed important, a “putting people first” strategy should be followed. Caring for your people during this difficult time should be prioritised.

According to the HR Risk Management Position paper and the HR Risk Management standard of the SA Board for People Practices (SABPP) it is critical for organisations to identify and manage their human capital risks. Often employees and managers are vulnerable and confused given the pressures they are facing, especially during recession, lockdown and other difficult economic times. Likewise, although many companies have successfully managed to adapt to the risk governance requirements of the King IV Code on Governance, most managers have not yet been able to integrate human capital risks into an overall risk management framework. Hence, the increased difficulty of dealing with risk from a disaster management perspective in responding to a pandemic creating so much uncertainty and chaos around us.

Organisations put their sustainability at risk if they do not consider the impact of human capital risks of Covid-19 on their business. Board members and management are challenged to respond to Covid-19 as a people risk in the business. The reality is that most risks in business can either directly or indirectly be sourced back to people – the human element is the major source of business risk. The virus does not spread on its own, people spread the virus.

The challenge for HR managers and company directors is to gain a proper understanding of risk management methodology, and then to identify, mitigate and manage HR and the financial and other risks associated with the human element of business. Covid-19 requires business leaders to adapt their HR risk plans by incorporating clear and decisive disaster management plans.

A failure to manage Covid-19 as a human capital risk may threaten the sustainability of companies. Thus, HR Risk Management is not confined to the softer issues. Some organisations suffer from poor governance and a lack of clear policies, processes and procedures, while others have simply become complacent in the belief that nothing will go wrong. Covid-19 changed that overnight. Fortunately, though, the development and implementation of effective human capital risk management strategies can leverage significant business opportunities, and provides executives with a challenge of ensuring that human capital risks be embedded in the overall risk governance and management strategies of organisations.

I would like to commend CEOs of most companies in the way in which they have responded with a caring and supportive attitude towards employees, customers, suppliers and other stakeholders when the lockdown started. Most CEOs sent out very professional emails to their staff highlighting the extent of the crisis and its implications for staff and customers. However, many other senior and middle managers lack an understanding of how to deal with a crisis, and therefore need clear guidelines on how to manage during a lockdown. For instance, sending contradicting messages and unprofessional emails to their staff during the lockdown adds to the current levels of uncertainty, stress and anxiety encountered by most employees. It is clear that managers need a crash course on “How to lead during Covid-19.” This week the consulting firm Korn Ferry provided an excellent guideline for leaders in this regard, documents like this can serve as a useful reference guide for managers. In essence, the CEO of a company should lead with company specific guidelines on how to manage during the crisis and all other managers should adapt accordingly. This is not a time of business as usual, therefore managers need to learn on how to lead during a crisis. Caring for your staff and good communication are two new skills that many managers need to acquire very quickly.

Despite the lack of people skills in many businesses, this is a good time for CEOs to draw on the people skills of their HR Managers. To manage HR risks, CEOs and HR Directors need to plan proper human capital risk mitigation plans dealing with the following priorities:

- Human capital risk strategy;
- Caring for employees – physically, emotionally and mentally;
- Compliance to all laws, rules, codes and standards;
- Employee experience;
- Talent management;
- Employee wellness;
- Health and safety, with a particular focus on hygiene;
- Business sustainability;
- Change management;
- Digital HR;
- Filling skills gaps and online learning;
- Employee benefits (salaries, relief funding, medical aid etc);
- Working from home arrangements;
- Workforce planning;
- Employee communication

Managers should identify and manage the people risks of Covid-19 in their organisations. Risk is not only about the negative side of business, managing risks proactively, can also yield positive business results over the long term. In fact, most of the above areas should have been in place already, and merely needed realignment to Covid-19 as a new disaster and risk. A comprehensive list of frequently asked questions (FAQs) and answers should be provided to employees and customers and updated on a regular basis as new developments and information become available.

The first question on the mind of many employees during the Covid-19 crisis is whether employers really care for them and their families. Their next worry they have is whether their jobs are at risk. Not only will proper human capital risk management reaffirm the strategic role of human capital at board level, it provides an opportunity for directors to directly ensure the survival and sustainability of their organisations. Organisations are faced with Covid-19 as the biggest risk in business over the last century. Hence, the need to view Covid-19 as a global, national, business and human capital risk simultaneously. Failure to respond adequately to the coronavirus crisis will not only destroy health systems, it will further deepen the current level of economic decline in most countries. How we respond to the crisis will not only show how much we really care for our employees and customers, but also whether we are able to harness all our skills in contributing to business revival and humanity during and after the lockdown.

I wish all students, colleagues, HR Managers, business leaders, healthcare and essential service workers, government officials and other contacts a good Easter Sunday. Keep well, safe and healthy.

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