

Grappling With Risk



All of us in the business of providing human resource services to our employees, our retirees and both groups' dependents understand

the issue of operating risk. When we concentrate services in a service-center environment to achieve uniformity of treatment and efficiencies in process, we heighten our susceptibility to this risk.

Floods, earthquakes, fires and other natural disasters all require us to have contingency plans and be able to divert work to other places so we can

continue serving our employees. Special geopolitical risks arise when we move HR services outside the areas in which we traditionally operate, and those risks require extra preparedness, planning and analysis. In this setting, we consider geopolitical risk to be any substantial threat to the orderly operation of an HR service center that is not attributable to natural forces, such as flooding or an earthquake.

Geopolitical risks can include riots, terrorist attacks, bombings, religious violence, ethnic tension and governmental stability. Certainly, geopolitical risks can destroy a service center and make it completely inoperable. Even if the physical center is not harmed, the staff may be disrupted or denied access due to political, racial, religious, ethnic or other affinities. In choosing either a site for an internal HR service center or a provider that has operating service centers of its own, it is imperative that HR executives understand the risks inherent in the choices being made.

Every center should have a geopolitical analysis and risk plan, and that plan should be updated annually. Like business-continuity and disaster-recovery planning in HRRIT, the geopolitical plan should include actions and steps to be taken as the individual risks arise or become threatening. HR professionals need to ensure that this plan is reviewed, and that the means of putting the plan into action are constantly maintained. This requires at a minimum that:

- Employee data is backed up to multiple servers, preferably every day but certainly every week.
- Audits and drills are run every year to ensure that service capacity is maintained and available. Service capacity, in this sense, is both technological and human.
- Cross training and job shadowing is done to ensure that the "take on" team knows what its role will be when it manages that work.
- Methods of ensuring quality performance and work-flow continuity are investigated and understood. For instance, can the employees work from home on notebooks or PCs to ensure that the work stream is effectively managed, and employees and dependents continue to be serviced?

Some companies have large numbers of staff devoted to geopolitical risk analysis and they retain or use risk consultants to assist them in their analysis. This is typical of oil companies that have very real exposures to geopolitical risk inherent in their business models. That level of concern may not be warranted, but it is clear that HR executives need to verify that service providers have a realistic plan. The obligation to develop and then maintain such a plan is no less important for an internal HR service-center operation.

Lowell Williams is executive director of HR Advisory Services for EquaTerra, a BPO consulting firm based in Houston. He can be reached at lowell.williams@equaterra.com.