

SNAPSHOT

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A modern Malthusian Check: managing unpredictable uncertainties

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Disease and pestilence remain a threat to the modern age. In a globalised media landscape, levels of fear can escalate to unpredictable levels in such a short period that they are more likely to have a disproportionate impact on every business model. The CoronaVirus outbreak is a case in point. However, companies remain largely unprepared in terms of their crisis and continuation planning. A more integrated approach is needed. To mitigate against future risk, management teams now need to have a more holistic approach to ensure a robust response to reassure a host of stakeholders, incorporating a much broader range of disciplines. Be ready.

CoronaVirus makes a business impact

Business is hurting. The news last week that the annual Mobile World Congress, the world's preeminent gathering of tech and telecoms companies, hosted in Barcelona, has been cancelled on account of the CoronaVirus (Covid-19) is ominous. Such a decision will not have been taken lightly, yet the hidden financial implications could be significant and will reach far beyond the obvious cost to the industry. More news emerging this week is equally bleak.

The impact on China and the global economy of this latest health scare has yet to be fully ascertained. Analysts were already predicting a tough year for the world's second largest economy. Supply chains are already struggling, costs are increasing, and production is down. Luxury cruise liners are becoming the modern-day plague ships from yesteryear. Should companies respond and how well prepared are they for these types of unpredictable uncertainties?

Malthus – principle of population

In the late eighteenth century English economist Thomas Malthus wrote his essay on the principle of population. As Europe started to embrace the industrial age, with increased food production and improved standards of living, the benefits that societies encountered were temporary because success led to population growth and more mouths to feed, returning the economy back to its previous equilibrium,

leading to urban squalor and hardship with the increased likelihood of famine and disease. This Malthusian Check was nature's way of managing mankind's continued inability to self-regulate.

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Disease and pestilence remain a threat to the modern age. But if we look at the broader context, we live, work and play in an ever-integrated global environment. Dramatic population growth and the relentless nature of modern consumerism have themselves become subject to perhaps the biggest Malthusian Check and socio-economic disrupter of them all. Companies can no longer justify what they do because modern economics justifies the rise in demand. If it hurts the environment, it hurts us all and Mother Nature is biting back with the climate emergency. This unpredictable behaviour is further compounded by the proliferation of political uncertainty, trade wars and acts of terrorism.

In a globalised media landscape, levels of fear can escalate to unpredictable levels in such a short period that they are more likely to have a disproportionate impact on every business model, irrespective of geography or sector. No matter how successful a company is, how much investors love them or the strength of a share price, a business could fail due to something completely outside of its control.

FTI Consulting Resilience Barometer

FTI Consulting's recently published 2020 Resilience Barometer gauged how well over 2000 international companies from G20 countries are prepared to deal with both internal and external corporate risks that are most likely to negatively impact their turnover, value and reputation. 87% of respondents reported that they have had a significant crisis that negatively impacted their business in 2019. Mapped against 18 identified scenarios, covering a range of issues from sustainability, cybersecurity, regulation and financial crime, their resilience to a future crisis was only 43 out of 100.

Clear gaps exist. Include those unpredictable uncertainties, the level of unpreparedness could be much higher. It may be impossible to predict a health scare or a climate change disaster, but an integrated approach is needed that goes far beyond having a crisis or business continuity plan in place. The scale warrants a re-think. The need for a speedy and timely response can be brutal. Can CEOs afford not to engage in the political process or not be seen to be commenting on important social issues of the day? Does society now expect business leaders to show purpose with a view on a host of issues that previously they would have wanted to avoid?



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Building a more holistic approach to crisis and continuation planning

To mitigate against future risk, management teams now need to have a far more holistic approach to ensure a robust response and reassure a host of stakeholders from customers, employers, shareholders, investors and regulators. Crisis communications and continuity planning now need to incorporate a much broader range of disciplines working much closer together, to include legal, internal engagement, media relations, restructuring, economic research and corporate finance.

Society is becoming ever more informed and sophisticated in what it expects from the people they work for, invest in, or whose products they buy. We live in a far more reactionary world as everyone becomes increasingly connected to the bigger issues of the day. Malthus is as ever relevant today as he ever was. Be ready.



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