

THE PORTAL

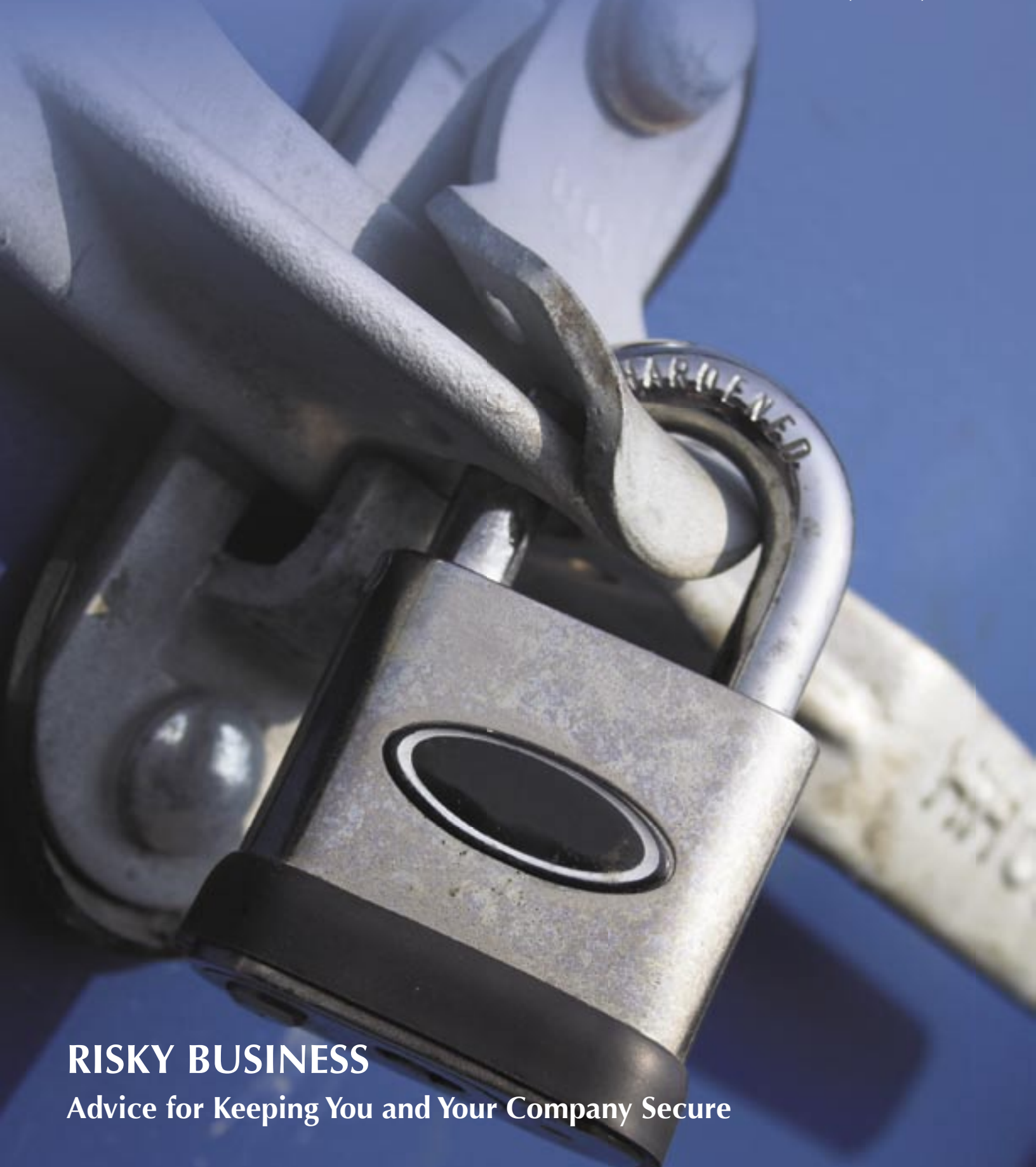


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RISKY BUSINESS

Advice for Keeping You and Your Company Secure

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Security, Risk Management, and Your Bottom Line

By Paul Lagasse

Risk mitigation has always been an important part of what movers do. But over the last 30 years, with the advent of computer-based information technologies that allow for careful tracking and monitoring of shipments from beginning to end, and with Internet-based communications technologies that allow clients and vendors to connect with movers 24/7, the options—and the challenges—for effective risk mitigation have changed dramatically. In addition to cargo and fleets, companies now must also protect employee health and safety, information, facilities, and fleet operations while at the same time meeting ever-stricter regulations. If even one link in your international supply chain fails, you risk losing your clients' trust and your firm's reputation. A strong in-house risk management program can go a long way toward ensuring that all the links are strong.

Bill Rose, president of the Relocation Risk Group at **Willis**, a London-based insurance broker with offices in over 100 countries, notes that one out of five moves will experience some kind of loss or damage during transit. But by taking action to identify and eliminate what Rose calls systemic risks—flawed procedures, inadequate training, use of substandard materials or techniques, for example—movers can reduce the kinds of risks that result in lost or damaged goods, unhappy customers, loss of stature in the industry, and higher insurance premiums.

“Even though the membership of IAM is diverse,” says Rose, “the operational risk that they all face is the same: ‘What can I do to make sure that these shipments arrive on time and undamaged?’” He points out that many of the claims dollars that his insurance group pays out are for things that were preventable to some degree.

Rose says that effective risk management programs must be able to identify and define risks that movers face, quantify their potential frequency and severity, and develop a strategy to prevent, manage, hedge, or assume them. The company should also be able to assess the effectiveness of the strategy against past performance. “Risk and the bottom line are intertwined,” says Rose. “The companies that do the best job of managing risk are the ones who take on more risk internally. The better your quality, the better your risk control.” (For more of Rose's advice on understanding and managing risk, see page 6.)

Clear policies, careful training make the difference

The experiences of IAM members demonstrate how important risk internalization and quality are to successful day-to-day operations in a wide variety of logistical environments. For example **AGS**, an international removal and relocations services firm, has branches in 73 countries and partnerships with local companies in many more. Ensuring a consistent quality experience in regions torn by war, natural disasters, and political instability can be a challenge at the best of times.

“Whatever risk management policy one might have, the men in the field are the key to facing challenges,” says **Guillaume Dehem**, African network manager for AGS. Field staff across

Africa are often responsible for arranging logistics amid mass migrations and around roadblocks, demonstrating neutrality in conflicts, avoiding the suggestion of ethnic favoritism in hiring, dealing with threats from extortionists, and maintaining or even establishing long-distance communications where none existed previously.

Dehem says that AGS's time-tested security and risk management policies have had a positive impact on the company's African business since opening its first branch in Cote d'Ivoire in 1993. Today AGS is present in 44 countries on the continent and it plans to have a presence in the remaining 10 countries by 2015. “Safety is not negotiable,” says Dehem. “Risk management, however, is trickier. We cannot decide to be present in every country in Africa without potentially suffering losses. But after almost 20 years in Africa, we do know what risk management is here. This

“The companies that do the best job of managing risk are the ones who take on more risk internally. The better your quality, the better your risk control.”

—*Bill Rose, Willis Relocation Risk Group*

would only be possible and fruitful with the commitment of every employee and management to the project.”

To that end, training represents a major component of AGS's approach to risk management. Managers recruited from the community undergo a two-year training program followed by a further two years in sales positions, after which they can apply for a two- to four-year management apprenticeship. The result is an employee with a deep knowledge of, and loyalty to, the company and its clientele, as well as an ability to respond flexibly to unusual and unexpected circumstances. For example, as a result of recent crises in Cote d'Ivoire, the staff deployed steel containers to block unauthorized access to offices and warehouses while the branch manager hired taxis to collect employees unable to cross police barricades and return them home safely at night.

Changing customer or program requirements are another factor that can influence a company's approach to risk management. For example, **Abba International Inc.**, a transportation service provider (TSP) in Everett, Washington, has had to assume more risk because of its participation in a new Department of Defense program. “Risk management is a high priority given that we are still responding to changes in our business model brought on by the new requirements,” says Abba International President **Gordon Keene**. “We have seen increased costs, but once our systems have been established and refined, the effect on our bottom line should be reduced.”

Like AGS's Dehem, Keene believes that employee education and training are fundamentally important. The company has a detailed training manual and offers mentoring to new employees. When Abba's risk management systems are evaluated and

updated, as happens several times a year, employees receive appropriate training in the new processes.

The biggest challenge Keene faces is protecting shipment data. “We have spent a significant amount of resources on servers, backup systems, and internal and external security hardware and software,” he says. “In addition, we have incorporated a data destruction process that follows scheduled periods of review and onsite processing of records beyond seven years.” Fire prevention and data duplication systems are also an integral part of Abba International’s storage program. “We designed this system so that our customer can rest assured that the data elements they have entrusted to us are secure and properly maintained,” Keene adds.

In an interconnected world, data security is crucial

As Abba International’s experience demonstrates, the ability to safeguard data in a move has become as important as the ability to protect household goods from loss or damage. **Stefan Chorus**, associate managing director at **Streff**, a moving firm in Strassen, Luxembourg, explains that it is fast becoming the norm for clients to levy substantial fines against movers for even minor failures to protect data. “In the past, people maybe believed more in trust and honorable ethical behavior concerning the handling and safekeeping of data,” says Chorus. “The problem today is that electronic data that is sent and copied throughout the Web is not secure.”

Chorus notes that data protection laws are becoming stricter as they adapt to new technologies, and movers must stay on top of those changes in order to effectively mitigate risk. Greater awareness and improved defense systems are key. “To be on the right track, all staff members need to be aware of the need to protect data from unauthorized access, loss, and theft,” Chorus explains. “Solid buildings, access controls, alarm systems, and of course personnel you can trust are also important.” Electronic data stored online will require access control firewalls maintained by in-house IT staff or by a trusted vendor.

Even with these safeguards in place, Chorus notes, “Murphy’s Law will still apply sometimes.” He cites a recent instance in which a firm in the UK mistakenly faxed documents containing sensitive personnel data to wrong numbers—twice—and incurred a £100,000 fine as a result. “If that can happen with faxes, how easily could it happen by e-mail?” he muses.

Since the 1970s, **Streff** has internalized the risk associated with data security by adding archives logistics, document scanning, and environmentally sensitive destruction and disposal to its range of services. Likewise, **Streff** is a member of **PRISM International** and **NAID (National Association for Information Destruction, Inc.)**, which help set standards and codes of ethics for organizations that handle and dispose of data, and is in the process of implementing the **ISO 27001** standard for information technology security and management systems.

As the experiences of these household goods movers demonstrate, you can’t take chances with your company’s security and risk management programs. They contribute to your bottom line, help you stay in compliance with the law, protect your reputation, and preserve the trust of your clients and partners around the world.

Paul Lagasse is a freelance writer based in Annapolis, Maryland USA.

The Essential Elements of a Risk Management Policy

What are the essential elements of a sound risk management policy for a moving company? Gordon Keene, president of Abba International Inc., offers the following list of basics that he believes every risk management policy should address:

1. Watch your receivables to manage risk of business failure.
2. Implement a secure database system that provides reasonable access to the data while also managing its security.
3. Develop a written policy that details exactly what is expected of the entire staff.
4. Conduct periodic meetings with all stakeholders to disseminate current or revised policies to the appropriate parties.
5. Review risk management policies annually to ensure that they continue to meet the needs of the organization.
6. Review statistical data monthly to identify trends and business performance.
7. Perform scheduled maintenance on all equipment.
8. Review insurance yearly to ensure that coverage is based on actual exposures.