



**ICPAK: TOPIC-BLACK SWAN, DATE 11.4.201**

**Facilitator: Kariithi M. Murimi FCPA(K)**  
**CEO and Team Leader**



# THE BLACK SWAN

“ BLACK swans pose a challenge to the essential foundations of risk management as they comprise of those surprise and extremely disastrous events that are NOT imaginable prior to events happening, but their occurrence becomes quite logical after an event occurs.



## Sept 11—rebuilding a FIRM

- “ Firm: Sidley Austin Brown & Wood
- “ Fact: All but one of firm’s 600 employees who worked in the World Trade Centre survived the disaster
- “ Achieved: within six days of disaster were able to serve their clients
- “ **BLACK SWAN: SEPTEMBER 11 DISASTER, ALL WHOLE OFFICE AT GROUND ZERO!**



## THE FIRM— FOLLOWING SEPT 11

- “ IT IS THE fourth largest law firm in the United States
- “ Employing 1,325 attorneys
- “ 13 offices around the world
- “ SO HOW WAS THE BLACK SWAN MANAGED?
- “ 1.all the 13 offices of the firm were shut down
- “ 2.three centres of activity were established to deal with aftermath



## Cont—sequence of events

- “ Employees accounted for and out of the building
- “ Firms administrators and managing partners focused on reestablishing the New York office
- “ Decided what was needed to serve its employees and its corporate and government clients
- “ Within three hours of the disaster ,a partner in the firm had secured leases on 4 additional floors



## Cont— sequence

- “ By end day—partners had arranged for the delivery of 800 desks, 300 computers, and hundreds of cell phones
- “ Contractors were hired that day to cable and establish the firm’s computer network
- “ **QUESTION— HOW WAS THE FIRM’S REMARKABLE RECOVERY POSSIBLE IN SUCH SHORT TIME?**



## RISK PLACE IN BLACK SWAN

- “ Nightly backups of the firm’s entire electronic network enabled everything up to the night before the attacks to be restored.
- “ The back up tapes were stored in New Jersey by two independent firms and needed to be shipped immediately to Chicago so they could be restored and readied for use.
- “ Because no planes were flying for several days, these companies offered to have own employees drive the tapes



## What risk management were in place before

- “ Careful planning—back up system
- “ Courageous, focused employees-- one employee went to 55<sup>th</sup> floor to look for colleague
- “ Cooperative, helpful suppliers and understanding clients





# Service recovery strategies

- “ Learn from recovery experiences
- “ Learn from lost customers
- “ Do it right first time
- “ Welcome and encourage complaints
- “ Act quickly---same day leases secured( talked to existing tenant to release)
- “ Treat customers fairly—same what is possible
- “ LISTEN,CARE AND BE ATTENTIVE TO YOUR EMPLOYEES—they need to recover for business to grow



# Black swan MAKE YOU GO TO VALUE FOCUS

- “ Valued **customer** --- are there customers who are unhappy with the current industry offerings or not being served?
- “ Value **proposition**- can we have a value proposition that is dramatically different from the industry?
- “ Value **network**- can we reinvent the value network at radically lower cost or higher benefit?



## KNOW— WHEN BLACK SWAN HAPPENS— WAKE UP

- “ Your **goals minus your doubts**, equal your reality.  
*Ralph Marston*
- “ To realise our goals, we must **first imagine** them fully.  
*Siew Hwa Beh*
- “ A clear vision, backed **by definite plans**, gives you a tremendous feeling of confidence and personal power.  
*Brian Tracy*
- “ Take the pains required to **become what you want** to become, or you might end up becoming something you’d rather not be. That is also a daily discipline and worth considering.  
*Donald Trump*



## **PLACE OF CULTURE— IN A BLACK SWAN ,CULTURE IS KEY**

- 1) Great leaders create a culture that unleashes the highest talents and contributions of people.**
- 2) Great leaders recognize that every time they open their mouth, they are creating culture. As a result, they are constantly looking for opportunities to turn a normal conversation into a leadership conversation.**



# Corporate transformation

To achieve the vision the questions that need to be answered are:

- “ What processes and systems are needed?
- “ What products and services are needed?
- “ What people, resources and competencies are needed?
- “ How should these processes, people and resources be organized?
- “ What should the values and culture of the organisation be?
- “ What does the organisation currently look like?
- “ How far away from the vision is the organisation (gaps)?



# 7 habits of highly effective people

Ref Stephen R. Covey

1. be proactive
2. begin with the end in mind
3. put first things first
4. Think win/ win
5. seek first to understand –then to be understood
6. synergize
7. sharpen the saw



## THE 8 BIG managerial components of implementing strategy

- “ Build organization with the competencies, capabilities, and resource for successful strategy execution
- “ Allocating ample resources for critical activities
- “ Supportive policies
- “ Best practices and pushing for continuous improvement



## Contd Big 8

- “ ICT and operating systems to deliver strategy
- “ Tying rewards and incentives to key strategic targets
- “ Shaping the work environment and corporate culture to fit the strategy
- “ Exercising the strategic leadership needed to drive implementation forward





## All done from the mind

- “ Nothing is impossible, the word itself say ‘I’m possible
- “ MOST ECONOMIC VALUE WILL BE CREATED BY THE MIND: new ideas ,new knowledge, new applications--- most risk policies ignore business recovery strategies, the key to solving black swan
- “ Beliefs set the upper limit on what’s possible