

## **New Dimensions of Corporate Security and Risk: A post 26/11 analysis**

**January 29<sup>th</sup>, 2009 \*New Delhi**

### **Background**

A year and a half ago, a survey conducted by 9.9 Media discovered that companies focus primarily on financial and IT risk mitigation while their views on physical, human and governance risks are somewhat limited. However, a growing awareness and rising concern amongst leaders was apparent in their often reactive approach. In light of recent events like **26/11** new questions were raised which demand new solutions.

Companies must follow a security and risk strategy that is all-encompassing, which is driven as much by policy as it is by process and technology. To prepare for a "**zero-surprise framework**", organisations and managers need to adopt a proactive and holistic approach to Corporate Security and Risk Management (CSRM).

*The Growth Institute hosted a briefing session with **Captain Raghu Raman**, an expert on risk assessment and mitigation. Capt. Raman holds over 18 years of experience in government and multi-lateral agencies and is currently Chief Executive Officer with Mahindra Special Services Group (MSSG).*

### **The evolving environment**

From an economic perspective India's unfettered growth is assured. Yet closer interrogation of the geographical context highlights failed states, and neighbouring countries with whom several wars have been waged. Some of these countries like Myanmar believe that India is a threat while others like Bangladesh are sources of huge migrant populations. We are now witnessing a complete transformation of the terror model, where insurgent groups have discovered low cost ways to grab media attention. The biggest security risks in the future will not be major attacks like 26/11 - they will stem from the burgeoning insurgent groups within the country that use simple but effective terror tactics. Risk and terror are no longer confined to bombing buses or attacking railway tracks in Jammu. Taking hostages for 72 hours, with only two AK47 rifles has emerged as sufficient to get widespread media coverage.

Additionally, the crippling impact of terrorism on business means that it could cause severe economic damage and derail economic growth.

### **A rising insurgency ignored**

Although insurgent movements began 30 years ago they have been largely ignored by corporate India as a leftist problem in marginalised states like West Bengal. Over this period insurgency developed in 65 of the existing 208

## *Collective wisdom towards business excellence*



districts resulting in an armed force of about 15000 - equivalent to 1/10<sup>th</sup> of the Indian army. Their existence and proximity to cities like New Delhi and Bangalore is now clear. Insurgency is a threat that could extend to cover the entire country, given the local support that these groups enjoy.

### **...and the effects**

Productivity has been declining with little corporate activity in areas troubled by insurgency. Major infrastructure projects have been delayed and over the next 3-4 years their execution will be a major problem.

Similarly, executive protection has traditionally been believed to be an issue in countries like Brazil and other "banana republics." And yet only one in a hundred kidnappings in India is reported to the police, the rest being settled unofficially, involving large exchanges of funds from companies!

### **Environmental risks**

The parameters that made Vidharbha what it is today - lower water tables, fragmented land holdings and low land productivity are now affecting the rest of the country, bringing to light at least 6-7 more Vidharbhas.

### **Environment and growth**

High growth zones could very well evaporate as environmental degradation increases - these are zones the country is hoping will become highly productive in another 5-8 years. This in turn is expected to lead to mass migration into the cities causing undue economic and social strain.

### **A vibrant and growing underground economy...**

Another sinister risk is emerging in the form of organised crime which includes activities like drug trafficking, weapon smuggling and money laundering. The volume of this sort of activity is estimated at anywhere between 25-30% of the economy. A survey amongst employees in the BPO industry revealed that 1 out of every 100 or 150 individuals were exposed to narcotics - this ratio is expected to rise to 1 in 30.

### **Companies, risk and responsibility**

Clearly, security is emerging as the fundamental key to corporate success while taking internal responsibility is now a requirement for companies. In order to address the various security risks, a model to identify and assess which and how much risk is bearable needs to be applied. First, an asset audit ought to be conducted in order to highlight those assets most prone to disturbances such as crime, regional disturbances etc. Afterwards, a projected risk map for 5 years encompassing the demographic and climate changes, political tolerance and investments is carried out. The risk map provides a view of the risks a company can and should take responsibility for.

### **De-risking companies...**

## *Collective wisdom towards business excellence*



Companies must identify the key risk elements and take steps to mitigate them according to their organisational structure. DLF, Mahindra and Mahindra and Tata have raised corporate security within the organisation ensuring mitigation at the grass root level. From a division of labour stand-point an additional responsibility will have to be shared between the security and chief executive officers.

Corporate social responsibility is another source of risk mitigation. In regions where insurgency is high, a targeted social program which benefits families and children arrests risk. Where these programs exist, the beneficiaries tend to support the companies and root out any form of risk related to the operating environment.

### **On 26/11**

The recent terror attacks could have been prevented if a more fundamental approach to security had been adopted. Spending more on security gadgets like metal detectors is clearly no match for an armed and trained militia. Already companies are purchasing equipment to appear secure, yet it is mostly because others are doing it.

Preventive measures taken by politicians and bureaucrats will also be limited to their time in office. For corporate entities however, operations are independent and must exist over longer time periods. A need for mutual support and the pooling of resources has emerged. A chief security officer for several group companies is one such option. It is now essential for the citizenship at large as well the security forces to understand security paradigms at a grass root level. Since the terror attacks, there has been a surge in focused remedial measures which do not address the disaster striking companies and country alike. Yet a holistic solution inclusive of private and public sector actors is rather slow to take shape.

There has of late been a demand for National Security Guards (NSG) to be positioned at every hub, which is impossible. The NSG has strength of 450 people and are amongst the best officers from the army.

**Question: When the risk projection method is applied, does Kashmir look better 5 years from now?**

**Answer:** It is not as simple as saying, "Kashmir looks bad, so let's disinvest". Met life Insurance has a tie up with J&K Bank in Kashmir and enjoys a return on investment of 300%, far more than any other company in their industry. Their monopoly in Kashmir exists because other businesses avoid the region. Unilever operates in Doomdooma, a United Liberation Front of Asom (ULFA) territory, where they enjoy enormous returns offsetting their investment in security infrastructure.

*Collective wisdom towards business excellence*



**Question: Is it possible to assess whether the events The Research and Analysis Wing of Intelligence services (RAW) is talking about are actually going to take place or not?**

**Answer:** Intelligence is an apparatus set up over a period of years. Our resources are in place, but they lack sophistication. It is undoubtedly difficult to predict terror attacks - while we can safely say that there will be an incident in the future, actionable intelligence is hard to come by. It is better for companies to realise this and enlist trained professionals to help address these acts. While intelligence agencies like RAW will give us accurate news, it is still important for us to take responsibility for our safety and security.