Navigating the Road to Resilience – LAS IPE Risk Management Symposium

Managing the Impacts of Worldwide Polycrisis

Jim Harnum, President of Municipal VU Consulting Inc

Personal: A problem becomes a crisis when it challenges our ability to cope and thus threatens our identity.

Political Crisis: Calling something a crisis means to frame an issue as an urgent structural threat that necessitates an urgent cause of action to avert the 'danger'.

British Standards Institute (BSI) definition: An abnormal and unstable situation that threatens an organization's strategic objectives, reputation or viability.

Pearson & Clair (1998): "A low probability, high impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect and means of resolution, as well as a belief that decisions must be made swiftly."

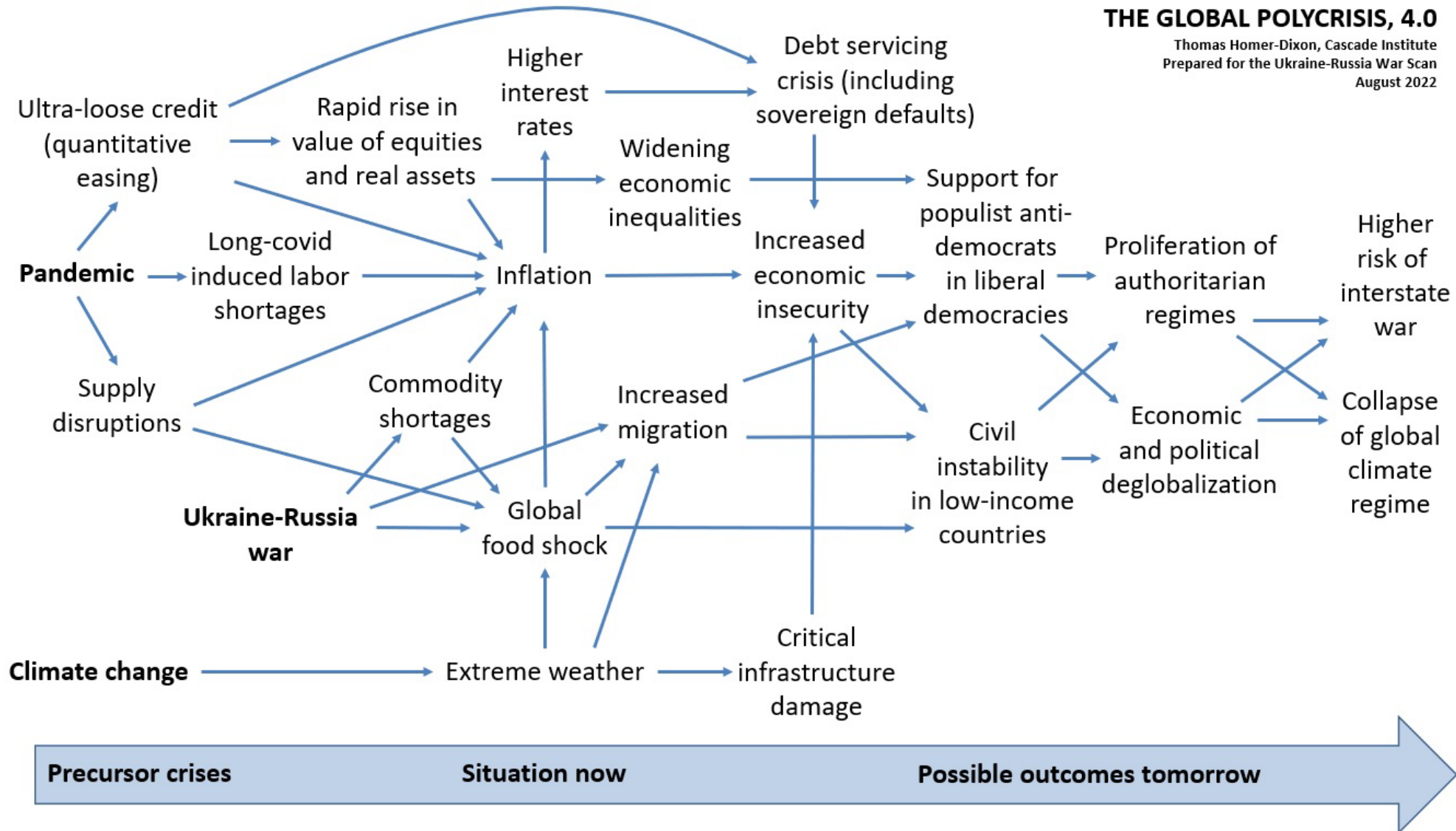*This last definition really resonates!*
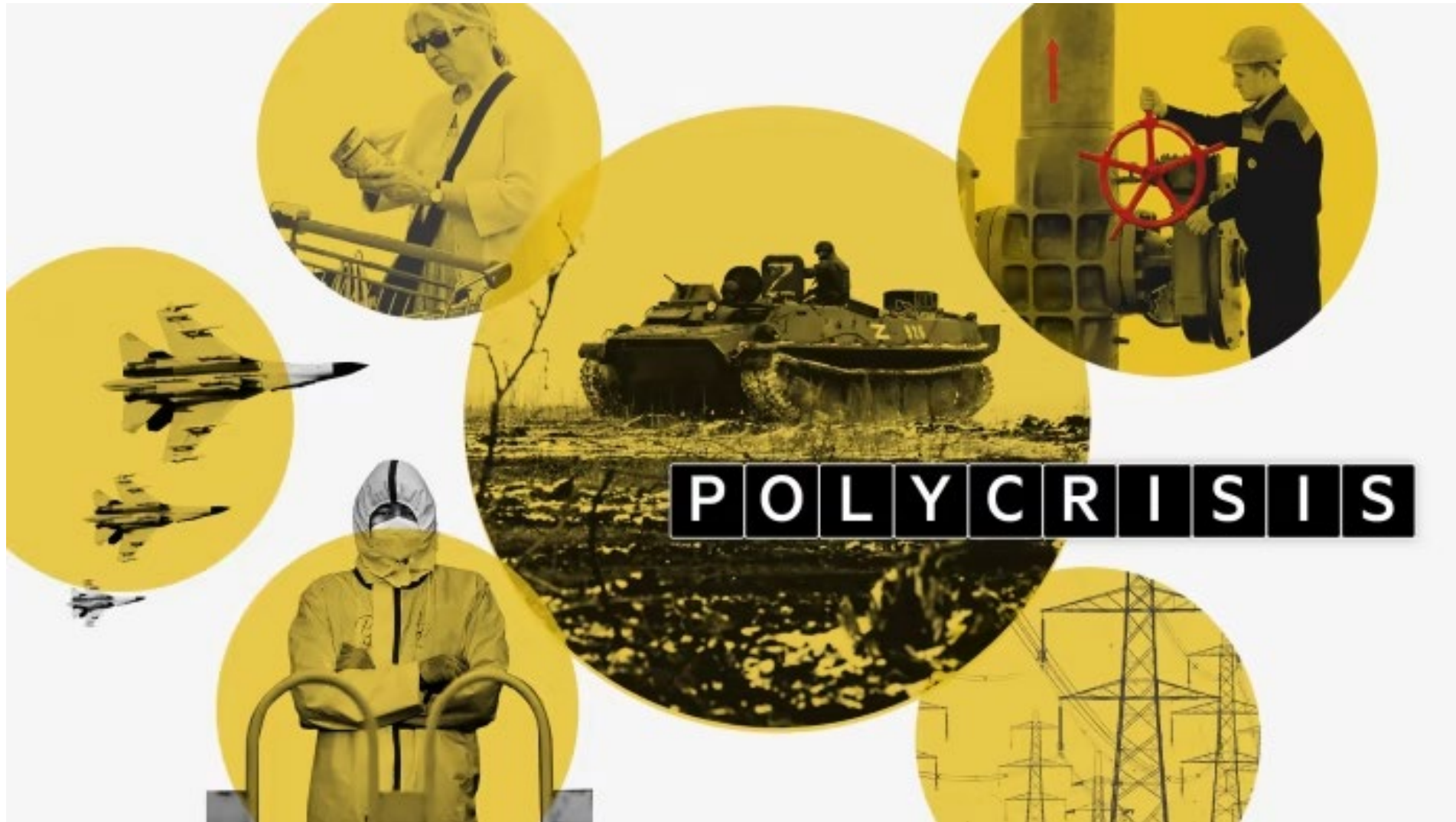
POLYCRISIS

Polycrisis refers to the convergence of multiple crises, each with its own unique set of issues and complexities

FT montage: Getty Images/Bloomberg/Reuters

Global Polycrisis

THE GLOBAL POLYCRISIS, 4.0
Thomas Homer-Dixon, Cascade Institute
Prepared for the Ukraine-Russia War Scan
August 2022

Polycrisis at the Municipal Level

1. Environmental Climate Change impacts

2. Public Health Crisis – COVID and others

3. War in Ukraine and other Political Upheaval

4. Strain on Infrastructure and Public Services

5. Economic Disparities and Affordability Crisis

6. Rapidly Changing Legislation

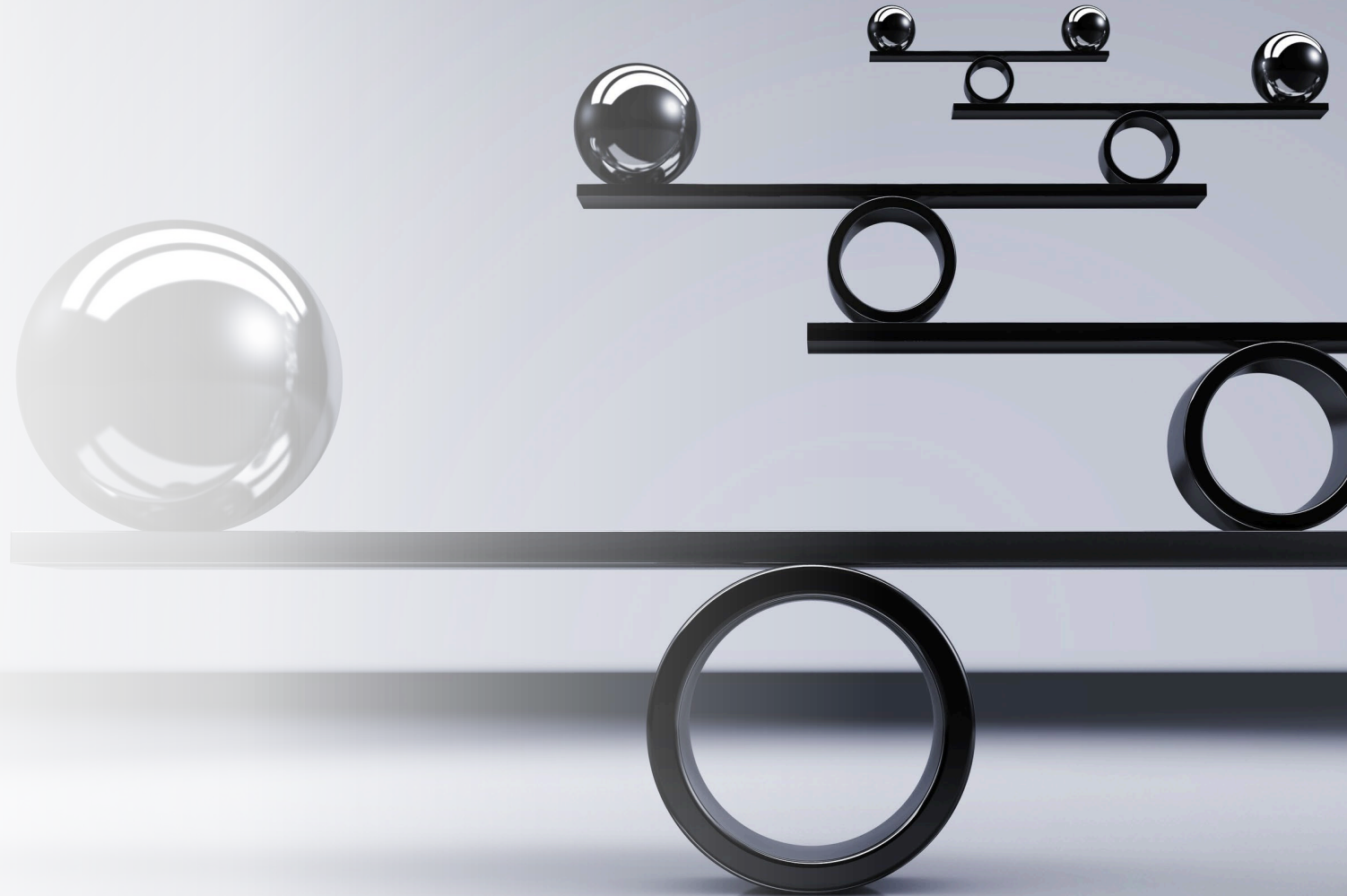7. Social Crises – Homelessness, Mental Health Supports, Social Inequalities

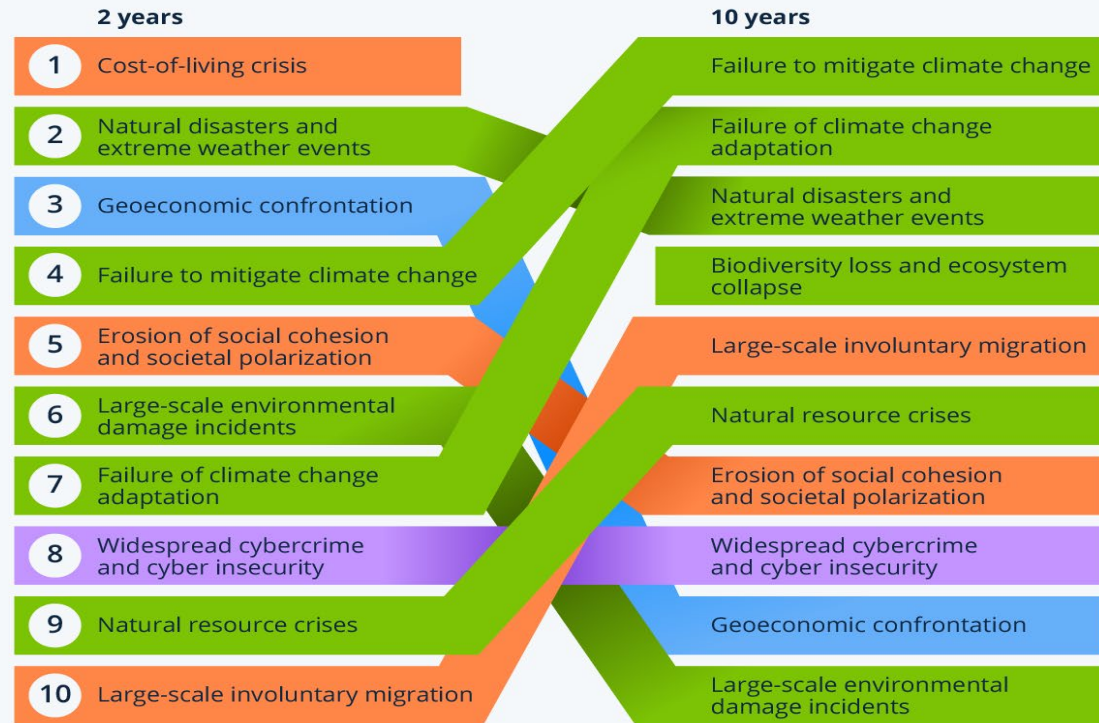Crisis exposes weakness in our systems and introduces **RISK**

Risks Worldwide

The Largest Risks Faced by the World

Experts' assessment of the most severe global risks over the next 2 and 10 years*

- 🟩 Environmental
- 🟦 Geopolitical
- 🟧 Societal
- 🟪 Technological

	2 years	10 years
1	Cost-of-living crisis	Failure to mitigate climate change
2	Natural disasters and extreme weather events	Failure of climate change adaptation
3	Geoeconomic confrontation	Natural disasters and extreme weather events
4	Failure to mitigate climate change	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion and societal polarization	Large-scale involuntary migration
6	Large-scale environmental damage incidents	Natural resource crises
7	Failure of climate change adaptation	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity	Widespread cybercrime and cyber insecurity
9	Natural resource crises	Geoeconomic confrontation
10	Large-scale involuntary migration	Large-scale environmental damage incidents

* based on an Oct. 2022 survey of 1,091 academic, business, government and civil society leaders who were asked to evaluate the impact of 32 global risks
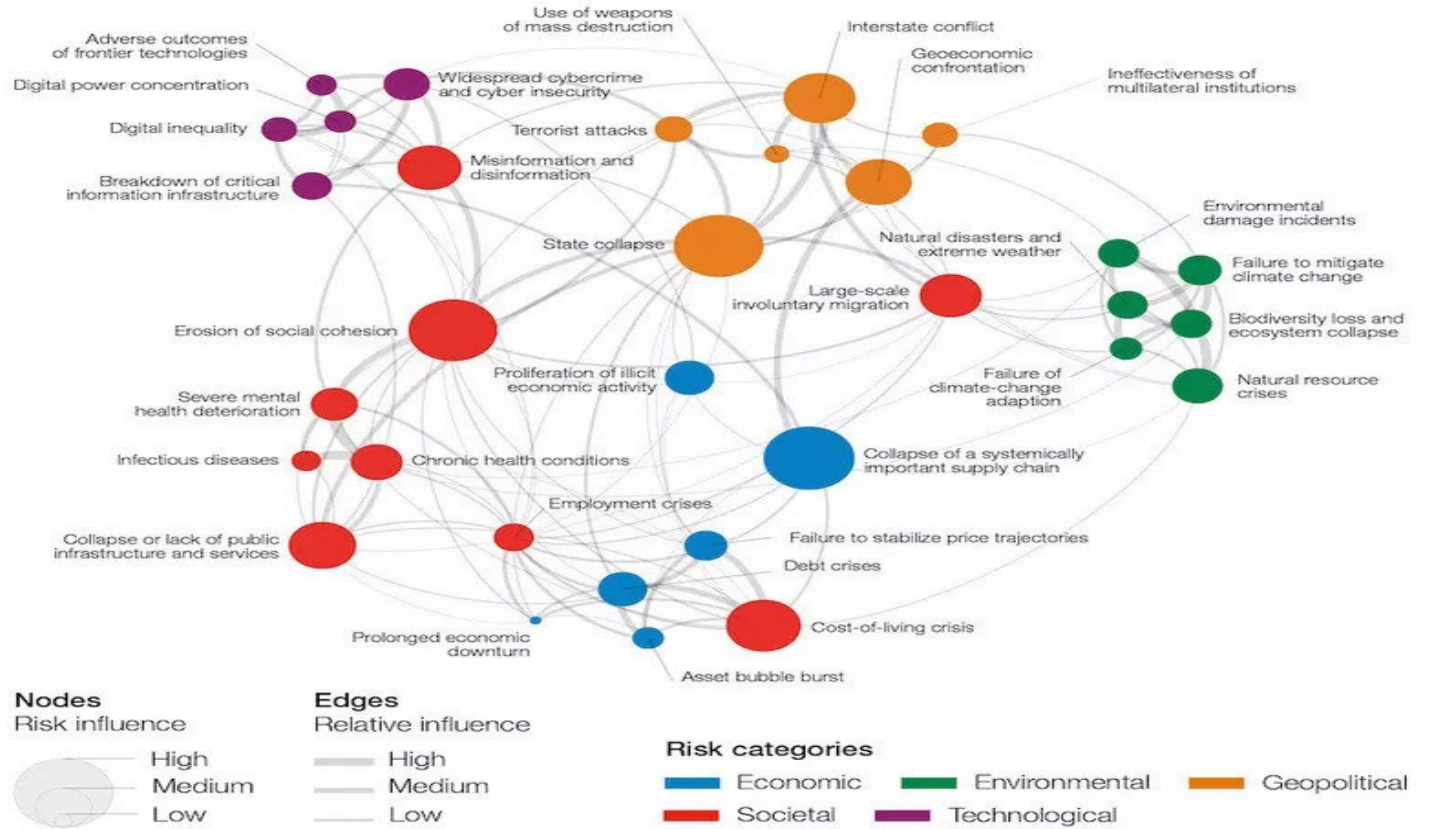Source: World Economic Forum

statista ⬛

Global Risk Landscape

Global Risks Report 2023

Global risks landscape: an interconnections map

WORLD ECONOMIC FORUM

Use of weapons of mass destruction
Interstate conflict
Geoeconomic confrontation
Adverse outcomes of frontier technologies
Ineffectiveness of multilateral institutions
Digital power concentration
Widespread cybercrime and cyber insecurity
Terrorist attacks
Digital inequality
Misinformation and disinformation
Environmental damage incidents
Breakdown of critical information infrastructure
State collapse
Natural disasters and extreme weather
Failure to mitigate climate change
Large-scale involuntary migration
Biodiversity loss and ecosystem collapse
Erosion of social cohesion
Proliferation of illicit economic activity
Failure of climate-change adaption
Natural resource crises
Severe mental health deterioration
Collapse of a systemically important supply chain
Infectious diseases
Chronic health conditions
Employment crises
Failure to stabilize price trajectories
Collapse or lack of public infrastructure and services
Debt crises
Prolonged economic downturn
Cost-of-living crisis
Asset bubble burst

Nodes Risk influence
High
Medium
Low

Edges Relative influence
High
Medium
Low

Risk categories
Economic
Environmental
Geopolitical
Societal
Technological

Source: World Economic Forum, Global Risks Perception Survey 2022-2023

Difference Between Municipal and Corporate Risks

Nature of Risks:

- **Municipal Risks:** Concerns related to public safety, local infrastructure, environmental issues, regulatory, and community welfare.

- **Corporate Risks:** Corporate risks include market fluctuations, credit risks, supply chain disruptions, technological failures, legal and regulatory risks, and reputational risks

Profit Motive:

- **Municipal Risks:** Municipalities are not profit-driven entities; their primary focus is on delivering public services and enhancing community well-being.

- **Corporate Risks:** Profitability and shareholder value are paramount in the corporate world. Risks are often assessed in terms of their potential impact on revenue, profit margins, and stock prices.

Stakeholders:

- **Municipal Risks:** Stakeholders include local residents, community organizations, elected officials, and regional governing bodies.

- **Corporate Risks:** Stakeholders include shareholders, employees, customers, suppliers, regulatory bodies, and investors.

Decision-Making Framework:

- **Municipal Risks:** Decisions are often made through democratic processes, involving elected officials, public input, and community engagement.

- **Corporate Risks:** Decision-making in the corporate world is often hierarchical and may involve executive leadership, board members, and shareholders

Municipal Risks

Natural Disasters and Climate Change

Infrastructure Degradation

Economic Instability

Social Inequality and Poverty

Public Health Crises

Technological Vulnerabilities

Environmental Pollution/Degradation

Political and Governance Challenges

Population Growth and Urbanization

Legal and Regulatory Compliance

Why do we Need to Manage Risk

MVU
MUNICIPAL VU
CONSULTING

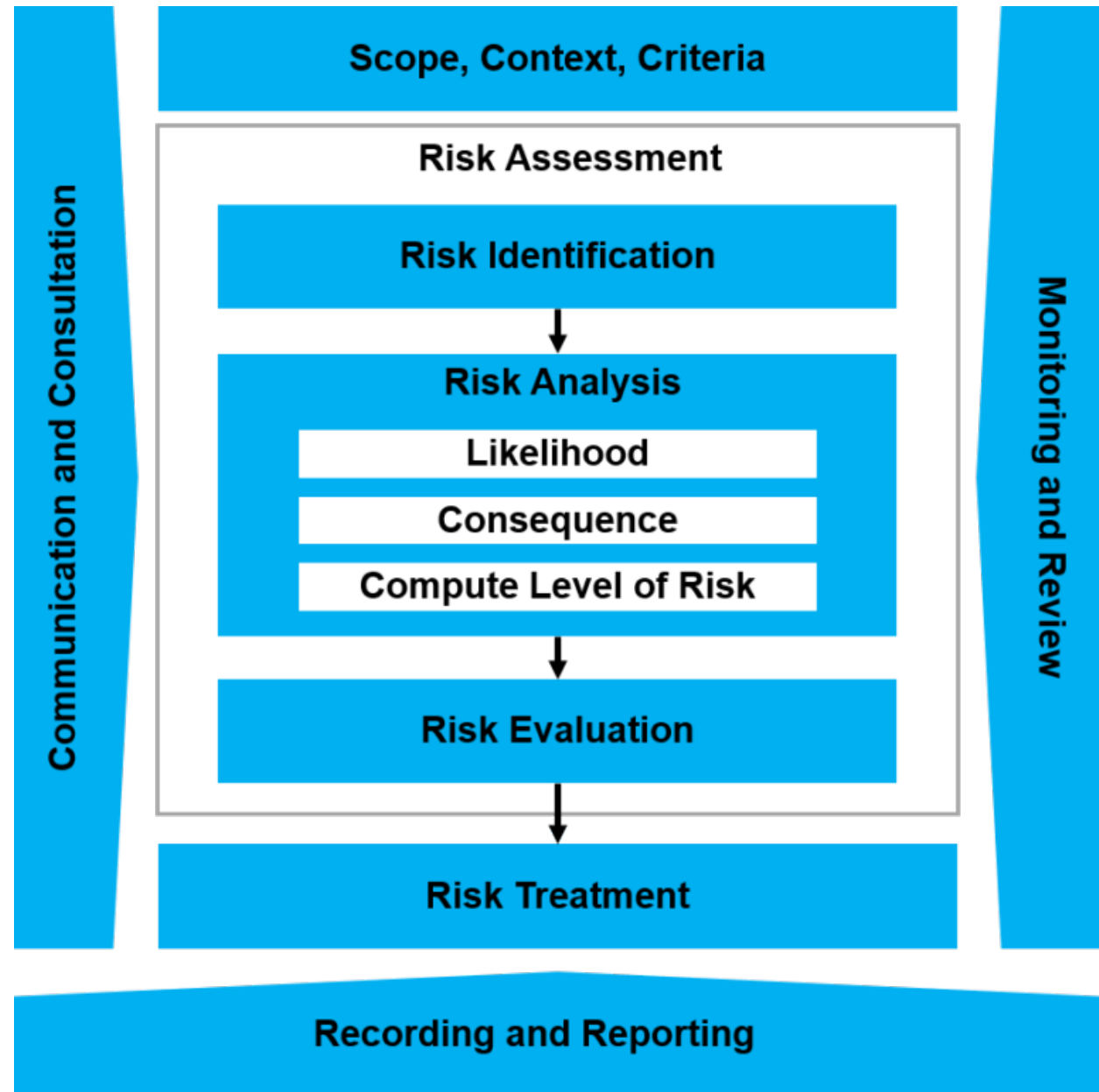|	
Safeguarding Public Safety	Maintaining Public Trust and Confidence
Protecting Public Property and Infrastructure	Enabling Effective Decision Making
Ensuring Continuity of Services	Attracting Investments/Economic Development
Financial Stewardship	Promoting Sustainable Development
Fulfilling Legal and Regulatory Obligations	Building Community Resilience
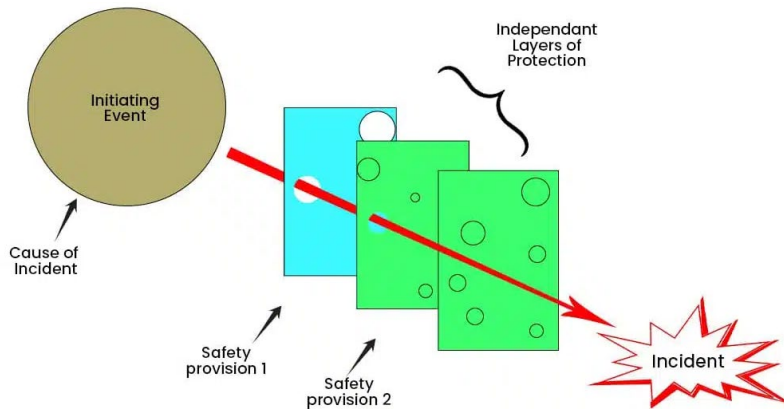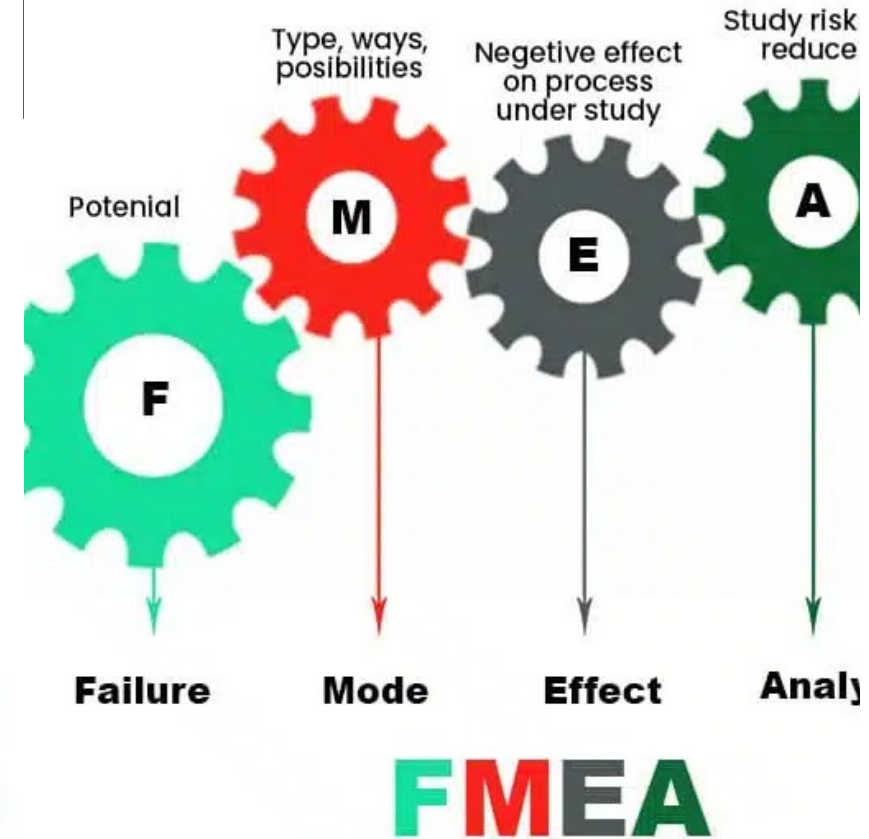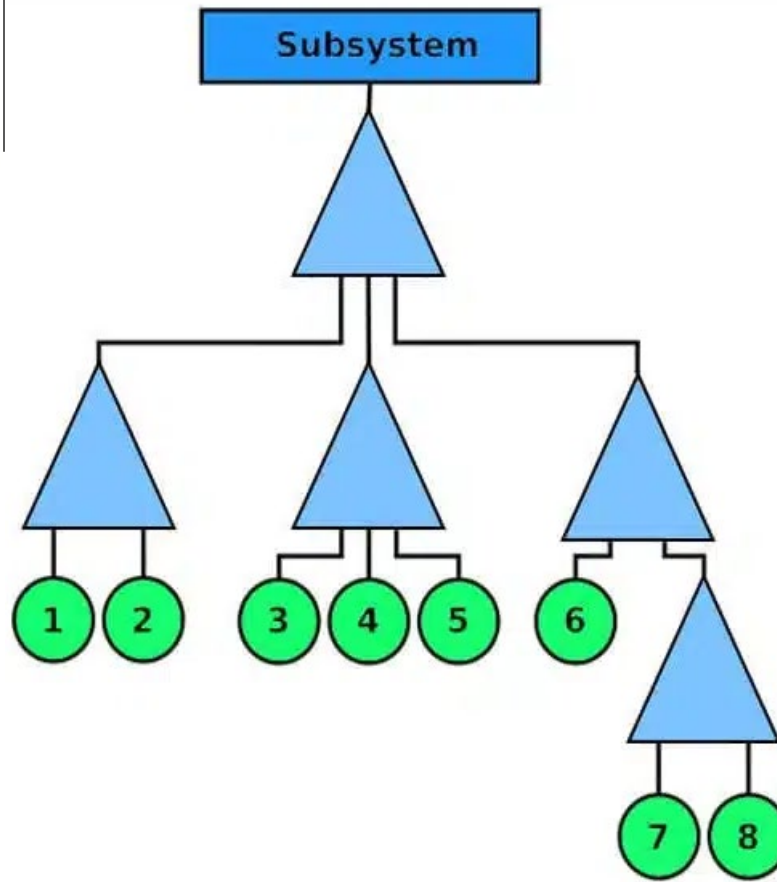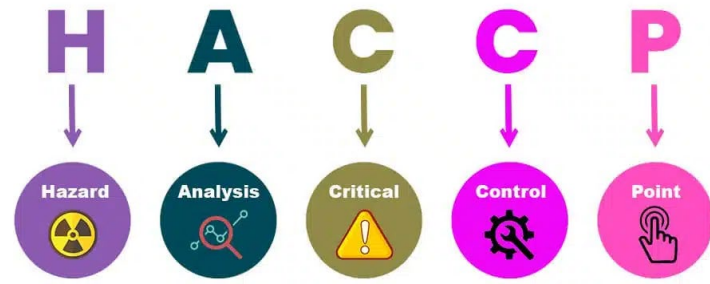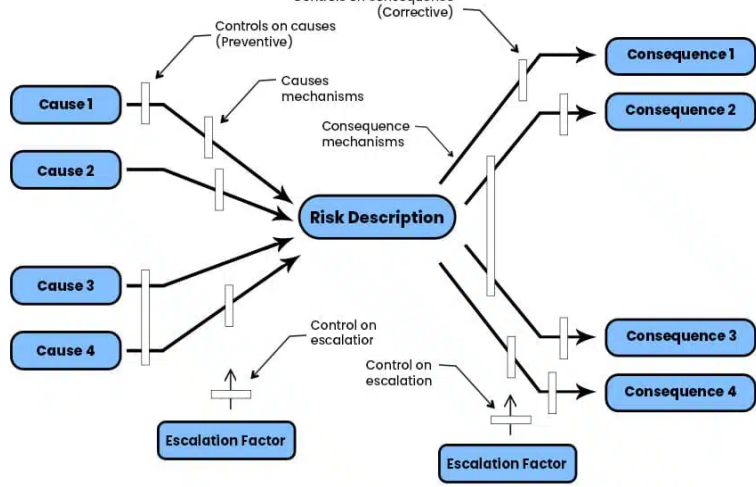
Tools for Managing and Assessing Risk

ISO 31000 Risk Process

Questions/Comments