

19th London Global Convention on Corporate Governance and Sustainability
15th November, 2019, Hotel Montcalm, Marble Arch, London (UK)

Navigating Risks and Opportunities in a Volatile World

Prof Colin Coulson-Thomas*

Our topic is navigating risks and opportunities in a volatile world. During most of my lifetime much of the world has been volatile. There have been wars, dramatic political developments, unexpected events and many false dawns.

Today we face shared challenges such as global warming and climate change. To tackle them we need initiative, innovation, enterprise and entrepreneurship which all involve risk.

Most of the risks I have prepared for did not happen and I have seen a succession of organizations take the wrong turn and miss golden opportunities.

Some directors fear the worst while hoping for the best. Welcome developments sometimes take them by surprise.

Entrepreneurs often create their own luck by being in the right place at the right time. They have a go while others go home or go back to their normal routines.

Many large company directors are not natural entrepreneurs. Some are risk averse.

I do meet directors who are positive, economical and supportive of business development. They are allies of entrepreneurs, complementing them and helping them to achieve their visions. They mention opportunities more often than risks.

Others are different. They focus on risk, compliance and conformance. Codes once regarded as helpful guides often become prescriptive 'straight jackets'.

Directors can be a barrier to enterprise and entrepreneurship. They may have a negative view of risk. They might view all or most opportunities as risks. Some don't even look for opportunities associated with the risks they discuss.

Some directors are neither economical nor positive. When you interview for a board appointment, what are candidates concerned about - your vision for a company, or their remuneration, directors' liability insurance and compensation in the event of a takeover?

When risks and opportunities emerge, do they think about the implications for themselves before implications for a company?

For over 40 years I have been involved with bodies that put the case for company directors, stress their importance and try to support them.

How objective are we about our own community? How do others see us? Do they trust us to tackle issues that concern them, or do they see us as part of the problem? Do they regard us as a risk rather than an opportunity?

For some companies, their directors are their biggest source of risk. Most UK high streets have boarded up shops. Retail store chains have folded like nine pins. Some died after boards approved long leases on retail premises as if on-line shopping did not exist.

Familiar refrains when corporate collapses and scandals occur are: where were the directors or where were the auditors?

What about the professionals who advised on the creation, packaging, marketing, valuation and reporting of the financial instruments that were time bombs waiting to explode and which in 2007-8 almost brought down the international financial system?

How many directors understood them and what would happen if the US property market cooled? If they seemed too good to be true and generated gravity defying levels of executive bonuses, why didn't more directors ask about them?

Regulations increase and become tighter. More people are recruited to governance, compliance and risk management roles. With so much effort and cost devoted to these areas, why are so many people uncertain and insecure?

We should take a hard look at ourselves. When navigating risks and opportunities many boards create unwelcome risks and avoid promising opportunities.

Directors serve on the boards of companies that pollute the environment, contribute to global warming and prejudice our health and futures.

Many directors are slow to exploit opportunities, yet quick to ignore or oppose them. Are opportunities blocked because of reluctance to change, or because they challenge a vested interest or have been proposed by a rival?

Some directors would make fantastic full backs. They would prevent anything promising from getting through. They might even move the goal posts?

Solid citizens sitting as non-executive directors on corporate boards sometimes equate challenge with opposition to almost any risk. They support compliance with requirements that may be out-of-date or inappropriate.

Policies and guidelines that once seemed sensible but need review can prevent progress when directors treat them as tablets of stone.

Boards should address risks relating to their own activities and practices, such as the risks of inadequate thought, understanding and decision making.

We should be alert to risks to key relationships, risks of inappropriate business models, structures and processes and risks of outdated purposes, priorities, values and performance measures.

There are compliance, accounting and reporting risks. There are ethical and reputational risks and risks of missed opportunities. There are shared risks and opportunities in relation to technologies, the environment and climate change.

Some boards overlook the extent to which issues are inter-related and different corporate objectives and initiatives conflict with each other.

These risks may not be the 'usual suspects' on many risk registers. Addressing them can be essential for responsible decision making and for resilience, ethical conduct and sustainability.

Outside boardrooms and head offices, issues, concerns and priorities are changing. Risks relating to new technologies and cyber security evolve.

There are new threats within traditional categories of risk. Physical assets may be destroyed by extreme weather events rather than be stolen or deteriorate.

Some risks may no longer be insurable at an affordable cost. They might need to be carried and steps taken to mitigate or reduce them and crawl out or recover should they crystallize.

Before acting, directors should think through the implications of board decisions and the consequences of corporate activities.

Risk management should support responsible decision making. It should encourage rather than inhibit the flexibility, openness and innovation required for enterprise resilience and responsible conduct in the face of evolving challenges and potential opportunities.

Please do not let your approach to risk management get in the way of what needs to be done.

* Prof. (Dr) Colin Coulson-Thomas, President of the Institute of Management Services, has helped directors in over 40 countries to improve director, board and corporate performance. He leads the International Governance Initiative of the Order of St Lazarus, is Director-General, IOD India, UK and Europe, chair of United Learning's Risk and Audit Committee, Chancellor and a Professorial Fellow at the School for the Creative Arts, an Honorary Professor at the Aston India Foundation for Applied Research, a Distinguished Professor and President of the Council of International Advisors at the Sri Sharada Institute of Indian Management-Research, a Visiting Professor of Direction and Leadership at Lincoln International Business School, and a member of the advisory board of the Aravind Foundation and ACCA's Governance, Risk and Performance Global Forum.

An experienced chairman of award winning companies and vision holder of successful transformation programmes, Colin is the author of over 60 books and reports. He has held public appointments at local, regional and national level and professorial appointments in Europe, North and South America, Africa, the Middle East, India and China. Educated at the LSE, London Business School, UNISA and the Universities of Aston, Chicago and Southern California, he is a fellow of seven chartered bodies, an honoured fellow of the Institute for Responsible Leadership, a fellow of the World Academy of Productivity Science and obtained first place prizes in the final exams of three professions. He obtained a 2019 Global Excellence Award in Renewable Energy from the Energy and Environment Foundation and the CSR Lifetime Achievement Award at the 2018 CSR Leadership Summit. Details of his most recent books and reports can be found on: <http://www.policypublications.com/>