

Theme Paper

SINGAPORE GLOBAL CONVENTION on CORPORATE ETHICS & RISK MANAGEMENT

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Boards, Enterprise and Risk

Boards have a responsibility to establish a company's risk appetite and put corporate policies and governance arrangements in place to ensure ethical conduct, compliance with applicable laws and regulations, and effective risk management across a corporate organisation, its supply and value chains and its network of relationships with customers and other stakeholders. The Singapore convention provides an opportunity to discuss the adequacy of board action in these areas.

At the forthcoming convention, issues and questions can also be raised. Directors face a number of dilemmas. They are expected to be entrepreneurial and proactive to ensure the future success of the companies for which they are responsible. At the same time, they are expected to be prudent and to maintain control. Is there a conflict between being entrepreneurial and maintaining prudent control?

Are we achieving the right balance between enterprise and control? Have we reached a point when some directors and boards and some governance, compliance and risk management practices have become a “hinder” rather than a “help”? Have they become obstacles to creativity, innovation, entrepreneurship and progress (Coulson-Thomas, 2017b & c)?

Adopting an Integrated Approach

How do corporate governance arrangements, compliance and ethical practices, and risk appetite, culture and management relate to each other? Are they complementary or in conflict? Are they enablers, adding value and conducive of creativity, innovation and entrepreneurship? In each of these, and other arenas, are the different people and teams involved talking to each other? Are their aspirations aligned and their activities coordinated? Are appropriate analytics and tools being used?

In relation to cyber security, it has been suggested that changes are needed (Leech and Hanlon, 2017). Overall, is an integrated and holistic approach to governance, compliance and risk management being adopted? Are internal and external auditors adopting a risk based approach to their work and contributing to combating fraud, cyber security and other risks? Are there effective formal and informal working relationships between the internal and external teams involved?

Does the term enterprise risk management (ERM) raise unrealistic expectations? Are risks relating to corporate governance, unethical conduct and the formulation of strategy being addressed? Are they accurately assessed and properly reported? Can some risks be managed? Is the notion that we are managing them a myth or a reality? Does corporate achievement lag behind board aspiration?

Taking a Balanced View

Following the 2008 financial crisis and the regulatory responses to it, the need for board approaches to risk governance to evolve was recognised (Fox et al, 2011). How balanced has subsequent corporate reaction and practice been? Too many people view risk as negative and a problem. They need to recognise its positive aspects. Risks present both challenges and opportunities.

The taking of reasonable and calculated risks is at the heart of entrepreneurship. It is essential for innovation and progress. Is experiencing risk simply evidence that one is alive and trying to achieve something? Innovation itself can be risky, but not innovating can lead to irrelevance and prove fatal. It can erode competitiveness and lead to stagnation and liquidation. However, one may need to monitor innovation and consider its possible impacts. Should emerging innovations be accompanied by risk assessments, as may be the case with proposed investments and projects?

Owners of a mature enterprise whose strategy is primarily defensive and protective of an achieved position may welcome caution. They might regard risk averse directors as responsible citizens rather than wet blankets. But, what about ambitious entrepreneurs who want to quickly exploit opportunities and grow rapidly? What if more than incremental improvement is required to cope with challenges and seize opportunities?

What if we need transformational change or a new business model? What if flexibility is required in the face of mutating cyber security challenges? What if we have to be more creative and innovative to exploit disruptive technologies? What if board mindsets, governance codes and risk management models do not fully embrace new sources of funding, the sharing economy, new business and organisational models, and a wider range of stakeholders?

Reviewing Risk Management

Are our risk management and governance practices still relevant and able to cope? Do they need to be refined, or do they have to be re-invented? Are we using the right approaches and measures for an age of discontinuity caused by disruptive technologies and new business models? Are outdated models and practices now significant areas of risk and a brake on innovation and enterprise?

Do traditional approaches to compliance and risk management lead to risk aversion? They can increase overhead costs, cause delays and result in key work groups focusing upon compliance and risk avoidance rather than customers and innovation. Do we need more affordable, quicker and less disruptive approaches (Coulson-Thomas, 2012a & b, 2013)?

How can one balance risk and return in uncertain and volatile conditions? Is it possible to both increase returns and reduce risk? Can this be done by means of a direct impact upon individual human behaviour within an existing corporate culture and structure?

Achieving Multiple Objectives

Are there quicker, more affordable and less disruptive routes to high performance organisations? Can one simultaneously achieve multiple objectives, working with whatever people and corporate cultures, structures and legacy systems currently exist?

Evidence based research reports show that applications of performance support in different organisations and sectors can rapidly improve outcomes, ensure compliance, reduce and contain risk, and deliver a variety of other improvements (Coulson-Thomas, 2012a & b, 2013). They can benefit people, organisations and the environment.

Incorporating checks and blockers into support tools can enable responsible risk taking, bespoke responses and the creation of new solutions. They can prevent outputs that would represent commercial, quality, legal or regulatory risks. Personalised and relevant support can be made available 24/7, wherever and whenever needed, including when people are on the move.

Support tools can make it much easier for people to behave in preferred ways. They can make it very difficult or impossible for them to behave in ways that are not desirable. For example, they can prevent unauthorised miss-selling. The support provided can be continually updated. It can be interactive and it can incorporate and facilitate social networking.

Exploring New Enablers

Support tools can capture and share what top performers do differently. They can enable average performers to adopt the winning ways of higher performing super-stars (Coulson-Thomas, 2007b). Support tools can learn and be continually updated, for example as offerings and regulations change. They can evolve to match the changing requirements and competences of each user.

Performance support tools can quickly deliver large multiple returns on the cost of developing them. They can also address a traditional trade-off between risk and return by both reducing risk and increasing return. At the same time, because checks and balances can be built into them, support tools can set people free to be creative, innovative and entrepreneurial.

Liberating support can be made available 24/7, wherever and whenever needed, including when people are on the move. It can be personalised and continually updated. It can incorporate social networking. Critically, it can address a traditional trade off between risk and return by both reducing risk and increasing return. Why are practical tools that offer such support not more widely championed by risk managers? Do we need less elaborate but more grounded approaches?

Enterprise Risk Management

While most financial institutions have adopted enterprise risk management (ERM), RIMS (2017) latest ERM benchmark survey shows that less than a quarter of companies in general have a fully integrated programme in place. What is the current state of ERM? Does it address the enterprise-control dilemma? What should a board's perspective on ERM be? How might this differ from other perspectives, for example looking at risk from a project, venture, supply or value chain, community, societal or environmental perspective? How can one ensure these varying perspectives are aligned?

Are governance, compliance and risk management frameworks continually adapting and learning systems? Must governance, compliance and risk professionals move on from giving advice on how to prevent downsides? Should they also roll up their sleeves and help people to achieve upsides? They do have opportunities to be seen as enablers rather than as costs.

Companies vary in the progress they have made in transitioning to ERM and their adoption of an integrated framework, holistic approach and associated tools and techniques. How integrated into dynamic strategic planning processes and intelligent steering is ERM? Is it strategic? Is it informing important business decisions? What needs to be done to address traditional barriers to ERM adoption such as unclear ownership, silo mentality and a reluctance to fund it (RIMS, 2017)?

ERM Implementation

Does the form, application and use of ERM reflect contemporary uncertainty, the volatility of markets and the impacts of new business models and disruptive technologies? Is sufficient attention attached to resilience and recovery? When investments are made, how are risks and returns assessed, balanced and revised in such circumstances, and as aspirations and priorities change?

How flexible is the implementation of ERM and ISO 31000 to ensure that they can evolve and adapt and make a positive contribution? In particular, while implementation might deliver the

technical information a board needs to fulfill its risk oversight responsibilities, why do directors sometimes lack the information they need for improved strategic decision-making (Bugalla and Narvaez, 2017). How can we ensure that ERM and ISO 31000 implementation does not act as a constraint, straight-jacket or inhibitor of creativity, innovation and entrepreneurship?

Risks rarely recognise organisational boundaries. Twenty five years ago the case was put for flexible, adaptable and networked organisations that are portfolios of projects and ventures, and organically evolving networks of relationships involving a wider range of collaborators and stakeholders (Coulson-Thomas, 1992b). ERM implementation needs to embrace networks and supply and value chains.

Networks and Relationships

Risk management approaches, practices and techniques need to reflect the inter-connected nature of contemporary corporations which are networks of relationships with customers, suppliers and business partners. Do more boards need to make it clear that they are seeking enterprise and network wide thinking, approaches and responses?

It has long been recognised that process improvement and re-engineering and applications of new technologies need to embrace relationships with customers, suppliers and business partners (Bartram, 1996). Risk management should also extend to a company's supply and value chains. So should cyber-security and anti-fraud measures. They should embrace corporate data held externally, corporate systems operated by third parties, mobile devices and working from connected homes.

Corporate systems and processes should be sufficiently resilient to withstand the simultaneous materialisation of multiple risks. Are boards and risk managers sufficiently aware of corporate dependency upon various collaborations, utilities, public services and banking, legal, regulatory, transportation and other systems?

Questioning Risk Management Practices

Are people just focusing upon mitigating the risks they know about, rather than developing the awareness, resilience and flexibility to quickly identify, analyse and address new and unexpected risks as and when they arise? Rather than just focusing on mitigating and avoiding some categories of risks, should risk practitioners devote more effort to being ready to capitalise on any new opportunities they might create?

The nature and source of risks can and do change. Processes, systems, business models, governance arrangements and risk management practices need to be flexible and adaptive as well as robust and resilient. Could risk practitioners learn from the improvisation of Jazz musicians (Barrett, 1998)?

Why do we still undertake annual reviews and report annually when changes occur more frequently? Why do we measure performance against objectives that were set when different market conditions, priorities, or even business models may have applied? Why at the end of ritualistic exercises whose reports and other outputs are quickly forgotten, or overtaken by events in the marketplace, do we agree development objectives for unknown futures?

Are we making progress or going around in circles like the feedback loops in management models? Why do so many dramatic developments take us by surprise? Are directors providing strategic direction, or are they keeping their fingers crossed and hoping for the best? With companies de-listing, and in an era of crowd-funding and co-creation, why is corporate governance so obsessed with shareholders?

Does the issue of risks for whom need to be addressed? Ought risk managers and risk management to be concerned with a wider range of stakeholders? Should there be more focus upon non-financial risks? Why do customers still often seem to be regarded as outsiders? Should they, rather than the company, be the focus of risk management? What about sustainability, climate change and risks to the environment and local communities?

Board and Corporate Responses

Boards have also been slow to respond to changing contexts and new realities. How relevant are concepts such as vision, mission, values, risk appetite, goals, objectives and strategy in uncertain contexts in which disruptions abound? How useful are their current expressions and contemporary practices in these areas? Could they become straight jackets rather than motivating factors as requirements and priorities change and new possibilities become apparent?

How useful are practices such as monthly board meetings, corporate planning and annual reporting where change is relentless and intervals between reinventions dramatically shorten? Should more reports be continually updated as events unfold, activities occur and risks are reassessed? Are strategy and planning a con (Coulson-Thomas, 1992a)? Why don't more boards embrace intelligent steering, confidence accounting and real time information?

Where confidence accounting is introduced, are risk managers contributing the bell curves that show the probabilities of different outcomes occurring? Are they monitoring trends, technological and other developments, and changing board and management priorities and practices, assessing their impacts upon risk management activities and concerns and considering what they could do to help people and organisations to change and adapt?

Board Attitudes and Practices

Why do so many boards treat employees as dependants and targets for their one-way messages? Is this why so few employees report ethical and/or risk concerns? Does driving these command and control messages through corporate organisations leave insufficient time for listening to feedback and the counsel of risk managers? Why do so many risk managers just report to others rather than engaging more with them and working in partnership with them on suitable responses?

Should boards encourage wider participation in risk management? Should risk management and the identification and reporting of risks be everyone's responsibility, rather than be seen as just the concern of a risk manager and/or team? What arrangements should be introduced to allow any concerned employee to raise risk concerns? Why do whistle-blowers invariably suffer for speaking up? Is the protection many organisations promise to whistle-blowers another con?

How many boards are truly innovation driven or entrepreneurial? Do they only adopt innovations that match existing policies, strategies, values, cultures and capabilities? Would they review these in the light of opportunities created by a disruptive technology? Do they fear rather than welcome Schumpeter's creative destruction (Schumpeter, 1942)? Again, are contemporary risk management practices inhibiting risk taking, enterprise and entrepreneurship?

High risks in certain areas can sometimes be balanced within a portfolio of activities and/or products by other items with lower risk profiles. Are an anti-diversification bias and fashionable strategies of focusing on a core business increasing risk by putting "all eggs in one basket"? Are risk managers thinking through and advising on both the business and risk consequences of different corporate practices and strategies?

Redirecting Risk Management

A board should establish, communicate and regularly review its priorities and risk appetite and tolerance. The level of risk it is prepared to accept in different areas should reflect changing challenges and opportunities. Which collaborators and stakeholders should be involved in the review process and how often should they be engaged? In some areas a board might conclude that it has been risk averse and needs to be bolder in pursuing new opportunities.

What proportion of risk managers have a balanced as opposed to a negative view of risk? As risk and return can be related, the issue is often the determination of what is appropriate in a particular situation given aspirations, ambitions and risk appetite and tolerance.

Do risk managers have to just focus on the problems of employing companies? Should they also consider what companies could do to help customers and wider society confront the risks they face? Should they turn challenges into opportunities? Wider society faces many challenges, such as the numbers of jobs at risk from automation, robotics and disruptive technologies (Ford, 2015).

Should there be greater focus on the opportunities associated with particular risks? Is the risk management community fully embracing digital developments and the possible consequences and uses of disruptive technologies? Will risk practitioners themselves be supplemented or supplanted by applications of artificial intelligence (Kaplan, 2015)?

Boards as a Source of Risk

Are directors prisoners of their past and outdated ideas? Are they risk averse, protective of past investments and reluctant to write them off, and in thrall to vested interests? Some directors and boards represent a major area of risk and a significant threat to the futures of their companies: They cling to old practices and are biased and victims of groupthink (Whyte, 1952; Janis, 1972).

Some directors and boards favour excessive order, structure and compliance with existing policies, rather than search for better ones. They view questioning as disloyalty and challenge as a threat. They need to change or be changed. They should champion openness, diversity and freedom?

Are risk registers living documents and regularly reviewed? Boards should allocate sufficient time to discuss risk management issues and strategies and come to informed judgements. How useful are ritualistic monthly board meetings? Directors should be alert to where they might benefit from confidence accounting and real time reporting and steering.

Deriving More Value from ERM

How might ERM add more value and be viewed more as an enabler rather than as an area of overhead cost? Have the full range of potential benefits been taken into account when spending upon ERM is discussed? It has been suggested by a software provider that a systematic approach that identifies their root causes might help to prevent corporate scandals (Minsky, 2017).

Could ERM contribute to income generation by identifying where corporate capabilities could be used to reduce risks and/or help others to address the risk related issues they encounter? Should risk managers look beyond the reporting of risks and contribute more to dealing with them? Should there be more focus on the support of decision making and seizing opportunities?

What role should risk managers play in entrepreneurship and business building? Should they do

more to challenge introversion, rigidity, bureaucracy, vested interests and the status-quo? Once again, are they enablers of creativity, innovation and entrepreneurship?

Rather than be seen as an overhead cost, should and could risk management become a front-line creator of value by turning risks and challenges into business opportunities? Instead of largely reacting to developments, should risk managers be more proactive and move on from a preoccupation with order, stability and standards to exploration, innovation and bespoke responses?

Mapping and Tracking Risks

As well as identifying and assessing risks, are risk managers systematically mapping and tracking them? Are they using appropriate tools to do this and sharing the results? Where others face the same risks, could the approaches used and resulting information be a source of revenue generation? Are directors remembering that the quality of information reaching them is more important than the nature and complexity of the process or model used to generate it (Bugalla and Narvaez, 2017)?

Does the tracking and mapping of risks that is undertaken embrace supply and value chain, and supplier and vendor vulnerabilities and risks? Does it cover exchange, financial and other risks and the potential impact of disruptive technologies and new business models? Boards need to consider which of the risks that are mapped and/or tracked to avoid or accept, and which risks to either mitigate or transfer by means of insurance cover. What steps do they take to ensure any advice they receive and steps taken are affordable, balanced and realistic? Is insurance cover regularly reviewed?

Some developments may have particular consequences for the risk and insurance managers. For example, big data and DNA and public information analysis may evolve to such an extent that so much will be known about what is likely to happen to particular individuals that the commercial justification and viability of the pooling of some risks may be questioned and limited or ended.

Cyber Security Issues

Are companies and their boards fully aware of the risk and other implications of digitisation and connectivity and the rapidly changing nature of cyber-security challenges and related fraud? In relation to cyber security, we should look beyond the IT team at the people aspects. Legal and reputational risks relating to breaches have to be addressed as well as technical and financial issues. As with fraud, we need access to the specialist expertise and support required.

Have appropriate steps been taken to protect systems and data, prevent money laundering and ensure cyber hygiene? Are these and anti-malware and other software regularly reviewed, updated and stress tested? Are mechanisms in place to contain, respond to and recover from security breaches? Do boards have policies in relation to disclosure and protecting customers when breaches occur, or covering the sharing of information with other companies and law enforcement agencies?

Some guidance is available to boards in relation to their oversight of cyber security, such as that provided by NACD (Clinton, 2014). Does more need to be done at an international legal, regulatory and oversight level in relation to cyber security and fraud? Are there Asian perspectives on collaboration in these areas? Are there particular challenges in certain sectors, for example in relation to banking frauds and collateral and credit risk in corporate and retail banking, especially when situations can rapidly change?

The Ethical Dimension

How ethical are some risk, compliance and other managers? How often are risks hidden or

downplayed in order to secure an approval? Where in our changing world is the innovation in our thinking about risk management and governance practice? What more can we do to ensure that risk governance evolution takes us to a better place (Fox et al, 2011; Bugalla and Narvaez, 2017)?

Are ethical and risk concerns and reports diluted or distorted as they pass through layers of corporate bureaucracy en route to the board? Before the 2007-2008 financial crisis some corporate risk professionals were concerned that adopting certain debt instruments that few understood was like bringing time bombs into their financial institutions. Their warnings were watered down. Bank directors were told that all would be well if certain trends continued.

How should boards address ethical issues and dilemmas in areas such as business resilience, the environment, fairness, inclusion and sustainability? Are new forms of leadership required to ensure ethical conduct and compliance in an uncertain and digital age when disruptive technologies and new business models can erode established positions and redistribute costs and benefits? Should ethical policies and their implementation be absolute or contextual? Could more and better use be made of ancient wisdom in addressing contemporary ethical issues (Coulson-Thomas, 2017a)?

Professionalism and Risk Management

Are risk management professionals prepared to be accountable for the advice they give and their scanning, scrutiny and assessment of the risk environment? How many members of the risk management community have been held to account for inadequate assessment of the CDOs that threatened to explode and bring down banks, other financial institutions and the international financial system? Were they looking the other way?

Did risk managers know and understand the risks that banks were running, but hid their concerns knowing these would not be welcomed by colleagues making hay with their bonuses while the sun shone? Did their warnings not reach bank boards? Should they have persisted in ringing alarm bells and ensuring their messages got through?

Professional practices and professional bodies and their members need to remain relevant and deliver positive value as opposed to being a cost (Coulson-Thomas, 1988). However, many changes involving occupational groups and the professions have been about reducing professional indemnity insurance premiums and avoiding or limiting liability, accountability and responsibility.

Is the focus of some professionals too often upon themselves and the needs of their firms rather than upon ethical and responsible conduct, their clients and wider society? Have professions and professionals become vested interests, advocating changes, approaches and practices that create more work for themselves and impose additional requirements and extra costs on others?

Scepticism and Challenge

How objective, independent and effective are risk management professionals at critiquing and reporting upon the risks of their employer's core business strategies and business models. Prevailing corporate practices can represent a significant risk. For example, Xerox rested on its *American Samurai* laurels (Jacobson and Hillkirk, 1987). It celebrated quality awards for heritage activities rather than create a business model, capabilities and ways of operating that would make its systems vision a reality. Past achievements in a different situation are no guarantee of future success.

Top-down approaches can stifle creativity. The risk of unfulfilled potential and missed opportunities is especially high where there is inflexibility, limited challenge and a lack of freedom and diversity of thinking. Direction is about thinking as well as doing. Directors can play a key role in

challenging traditional assumptions, conventional wisdom and prevailing practices. They are expected to exercise individual judgement and take a wider range of interests into account. They should also avoid self-interest, resist vested interests and focus on corporate success.

One of the surest ways of building trust and reducing strategic risk is to build an effective board of competent directors (Coulson-Thomas, 2007a). Many directors and boards are finding that the professionals they turn to for advice and guidance are more reluctant than ever to stick their necks out and offer opinions without a host of qualifications that severely limit their value.

Creativity, Innovation and Entrepreneurship

Business leaders face many challenges. They range from disruptive technologies to new business models. For many organisations, incremental improvement and excellence in current activities will not be enough. What can and should the governance and risk management communities do to help directors and boards to become more effective and to build businesses (Coulson-Thomas, 2007a)?

Corporate risk management and other policies and practices should encourage and support curiosity, creativity, innovation and entrepreneurship, rather than frustrate and repress them. Do directors really value qualities such as independence, intuition, wide interests and non-conformism? Are critical, imaginative and independent thinking recognised and rewarded? Are risk managers a positive or negative factor? Are people sometimes put off from undertaking potentially viable projects and beneficial ventures and activities because of a long list of risks to take into account?

Many directors earned their spurs in a previous era when expectations were different, possibilities more limited and another business model may have applied. Yet, they still think they know best. They issue policies, take decisions and monitor compliance, using their position, broader awareness and a more strategic perspective as justification. In reality, many directors are preoccupied with internal issues and their companies' problems. Front-line staff may be much closer to customers, the marketplace and local communities. They may also be earlier adopters of new technologies.

Cocooned within a head office, executives may be unaware of ferment outside and developments on-line. Should more executives and risk managers engage with, observe and experience the lives of customers? For risk managers, an exposure to needs and potential benefits might provide a wider perspective and greater understanding of the rationale for incurring risk. It could raise questions, spark ideas and alert them to changing requirements and new possibilities.

How self-aware are many board members? Do they acknowledge and address their limitations? Are they listening? Are they open to new ideas and possibilities? Do they question assumptions? Do they encourage the exploration of alternatives and the creation of new options? Do they genuinely believe in the importance of challenge, discovery, experiment, exploration and trial? Is the risk management community supportive of them and their decision making or a dampener?

Openness and Diversity

Sir Karl Popper warned of enemies of the open society (Popper, 1945). Are some boards and their specialist advisers enemies of the open company? Are they excessively concerned with order and standards? Are they slaves to particular models and approaches? Are they intolerant of diversity and reluctant to let go and empower others?

Are boards introducing the essential freedoms for removing organisational constraints and liberating latent talent (Coulson-Thomas, 1987)? People should be encouraged to challenge. They should be supported and allowed to work, learn and collaborate in ways, and at times and places,

that best allow them to give of their best and be creative and productive.

Do some risk managers prefer order and stability at the expense of the uncertainty and unpredictability that can result from greater freedom? Are they overly concerned about the possible negative affects of the exercise of greater freedom and unaware of its benefits in areas such as creativity and innovation? Negative experiences can also lead to positive outcomes.

People should be encouraged to be open about problems and to suggest solutions. They should be helped to learn from mistakes and failure and to build upon achievements. Pixar appreciated the importance of candour. It blossomed because openness, honesty and constructive questioning and comment were highly valued (Levy, 2016). People actively searched for better approaches.

Diversity and Risk

Many boards are intolerant of diversity. Their companies employ and serve people from many nationalities in a multitude of locations. The roles and activities of employees widely differ. Markets fragment. New business models emerge. Customers may seek bespoke and personalised responses. Yet many directors try to stamp out variety and impose uniformity.

Do some risk managers believe that diversity and variety increase the number of factors they need to consider and so complicate their assessments? Some directors and boards have a lot to answer for. Many policies, rules, regulations, guidelines and practices reflect past views, priorities and understanding. Enforcing compliance with them can stifle questioning and challenge. It can inhibit the search for new and better alternatives (Coulson-Thomas, 2017b & c).

If particular constraints are necessary and desirable, their rationale needs to be understood and people should be rewarded for considering better ways of achieving their original purpose. Risk management professionals need to ensure that what they do is understood. They should endeavour to operate in ways that add value and contribute to more effective decision making.

Many organisations exude a dull and monotonous uniformity. No wonder so many creative ideas originate outside of the workplace. Risk managers who encourage standardisation and uniformity to reduce risk should consider the costs of such a policy. Should risk professionals do more to encourage diversity, variety and contending ideas? What about different strategies, policies, processes and practices according to requirements, circumstances and possibilities?

Widening the Talent Pool

Homogeneity and uniformity can increase the risk of “groupthink” (Whyte, 1952; Janis, 1972). Is there sufficient diversity of experience, gender and thinking in the boardroom and in risk management and other communities? What about competing research projects or new venture teams? Are risk management professionals embedded within them and actively supporting them, or are risk practitioners standing on the sidelines or sitting in a distant head office?

Contending interests and competing solutions threaten some people. Others perceive differences of opinion as healthy. They believe that encouraging debate is more conducive of creativity and innovation than imposing single solutions. Risk managers should be wary of introversion, rigidity and bureaucracy. Network organisations can embrace customers and business partners. Collaboration with them and iterative development can speed up adaptation and innovation.

C P Snow warned of a growing division between science and the humanities, and the emergence of two distinct cultures (Snow, 1959 & 1961). Within many companies today, is another division

emerging? Some people think in a logical and structured way. They prefer order and standardisation. Others are more tolerant of uncertainty. They favour variety and welcome diversity. They look for links, patterns and relationships. They can simultaneously explore in different arenas.

Throughout history breakthroughs in thinking have been caused by outsiders who challenged orthodoxy (Kuhn, 1962). Are risk managers aware of the risks of introversion, narrowness, excessive homogeneity and recruiting from a limited talent pool? Do colleagues look beyond the “normal suspects”? Are they alert to different opinions, curious outsiders and restless explorers?

Should risk managers do more to alert their organisations to the risks of insufficient variety, a lack of challenge and the consequences of not being more open to a wider range of talent? Should they go beyond reporting risks and their mitigation and suggest solutions and alternatives?

Pro-active and Positive Approaches

Should the risk management community do more to help people and organisations to overcome the obstacles and barriers they identify as risks? Consider the step from creativity to innovation. While early Pixar exuded creativity, attention was also devoted to practical business issues such as brand building, rights and acknowledgements (Levy, 2016). Addressing contractual matters ensured the studio derived the maximum of credit and benefit from its creativity and promising ideas.

For many companies to become more effective incubators of new ventures, corporate policies, rules, guidelines, standards, codes and compliance practices may need to change. Options, choices and possibilities are multiplying. As new business and economic models emerge, past strengths can become sources of weakness and vulnerability. Directors need to be alert to defensive responses and attempts to protect vested interests. The possibility of such a response or interest may have been identified as a risk, but more helpful to directors is advice and support on how best to address them.

Do risk managers need to become more proactive and widen their perspective? Do they need to focus more upon the risks of creativity, innovation and entrepreneurship not happening? Should they be suggesting solutions rather than just reporting problems?

Leadership and Risk Management

More business leaders need to discuss, consult and consider where creativity, innovation and entrepreneurship are most needed. What should they be applied to and for what purpose? What might their relevance, significance and value be for customers and prospects? Should they take a wider range of interests into account when deciding when, where and for whom to be creative, innovative and entrepreneurial?

Should more business leaders reflect on the role of governance, compliance and risk management professionals within their organisations? Could the risk management community go beyond helping them to reduce the risk of desired levels of creativity, innovation and entrepreneurship not occurring? Should it also pro-actively advise on ways of stimulating creativity, enabling innovation and supporting entrepreneurship (Coulson-Thomas, 2017b & c)?

To have a dream can be inspiring, but relevant and affordable offerings can generate the income that might make them affordable. In business, thinking and doing are required. We need both aspiration and achievement. Should the risk management community look beyond risks to aspirations and devote more attention to overcoming obstacles and barriers to achievement?

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