



NO RISK, NO REWARD

As the pace of change increases, says Control Risks CEO **RICHARD FENNING**, so does the need to manage our fear

THE WORLD is a more complicated place than it has ever been, and risk has taken on an evangelical mania, dominating boardroom discussions.

Across any range of indicators, risk seems to be rising. In the geopolitical landscape, the long reach of a new breed of terrorist unsettles us. The Middle East is seemingly consumed by intractable bitter conflict. Afghanistan and Libya are spiraling into a self-destructive vortex.

Europe and the eurozone are fractured by a rise in nationalism and stresses from the seismic movements of refugees. Across the Channel, the future of the United Kingdom is under scrutiny.

A brittle global economy adds to the uncertainties. Emerging markets are under pressure and the Chinese economic model – the miracle of modern times – appears to be creaking.

At the same time, threats to the security of corporate data are growing and dramatic changes have pushed the energy sector into upheaval.

Even where these threats seem containable, there is a gnawing awareness that public perceptions of a particular risk could suddenly snowball and transform your business landscape in the process.

I spend a lot of my time with directors and executives, sorting out the realities associated

with these challenges. Two questions come up repeatedly. First, how do we manage in a world of unparalleled uncertainty and geopolitical risk? Second, how do we know which risks could really hurt us and where best to put our time?

Too often, board members approach risk as something we can eliminate entirely as long as we have the right processes in place. The truth is, risk is a constant and necessary companion. Day to day, it can be mastered and restrained, but a thriving business will always feel its presence.

The logic of hindsight tells us the present is confusing and the past was ordered. For every generation, the future is full of peril and the potential for disaster can seem overwhelming.

But risk also creates possibility. In 1975, the world seemed a dangerous place: the Middle East was in turmoil, the Cold War showed few signs of thawing and a global oil crisis was looming. Most of today's attractive markets were either insignificant or off limits. The first digital tools were emerging that would eventually revolutionize almost every sector and unravel entire industries.

Four decades later, the world is wealthier, healthier and in many ways safer than it was back then. Different risks have emerged, but they too will give way to a reshaped future with its own set of opportunities.

On the other hand, the pace of change is increasing faster today than ever. That is a defining feature of our age and impossible to ignore.



Disruptive forces challenge both business and politics. They appear rapidly, upset the status quo and wrong-foot the established order. You can think of this increased speed of change as a mass insurgency, rushing through companies, government institutions and indeed, our everyday lives.

In the same way young companies such as Uber and Airbnb are shaking up stodgy business sectors, so new political organizations are makeshift and audacious, seeking out unconventional funding and roughly jostling the established order. They are present in Middle East conflicts, US politics, the European migration crisis, Russian policy toward the West and in India's political landscape.

Such risk is a fact of life, but it affects everyone, not just your company. That means the challenge is to adapt more quickly, to be better at handling risk than your competitors. Disruption and instability force good companies to think faster, to change more radically, and to better understand the societies and customers they serve.

Take cybersecurity as an example. Threats to corporate data are now a critical business concern for nearly every company; hackers, whether malevolent teenagers or malicious states, are the leading disrupters of our age.

No simple, single fix can protect your particular company against the fallout from a cyberattack. Instead the risk must be managed. Technology can help, but we must also shift how we think about digital security and have nimble leadership when the near-inevitable breach occurs.

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A proper strategy involves not one decision, but an ongoing commitment to a dynamic network of decisions, each of which must be prioritized. This applies to cybersecurity but also to risk in general. Identifying the risks that matter most to your business and how to address them can be time-consuming and intense. But done rigorously and regularly, it is also the best thing you can do.

Certainly ignoring the problems is not an option. Not all risks will materialize into crises, but some will. A tense political conflict that turns violent can threaten your overseas operations and employees. Somewhere, right now, a company is discovering a hacker at large in its corporate network.

When emergencies such as these happen to your business, it will be little comfort to know that companies throughout history have faced their own set of risks. What will be a comfort is the knowledge that you have anticipated such a scenario and are prepared to deal with it.

RICHARD FENNING

Joining Control Risks in 1993, Richard Fenning has served in Japan, the US and London. He was appointed CEO in 2005.

CONTROL RISKS

Control Risks is a global risk consultancy engaged in helping organizations assess, plan and manage their operations in some of the most complex and volatile regions of the world.

Richard Fenning spoke with **RICHARD MEREDITH**, a Partner, and **AIDEEN LEE**, a Director, in Brunswick's London office.

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BE PREPARED

Do not confuse risk with fear

Risks that sound the most dramatic are not necessarily the most damaging. Remember, fear is a visceral, emotional instinct; determining risk is a factual, cerebral process. Better to be rational than to succumb to anxiety.

Listen in stereo

Advice is shaped by where it comes from. People close to the action may have extraordinary insights but lack the objectivity of those further away. For example, Russia-related sanctions seem very different in Moscow than in London or New York. Listen to both sides.

Age and experience matter – usually

Leaders with a few gray hairs are invaluable in a crisis. But they could be at a cultural disadvantage when a young hacker is found in your key database. Allow younger people to brief the board and listen to what they say.

Crises can arise where you least expect them

It is easy to focus on geopolitical hotspots. But if you talk candidly to senior European banking executives, for instance, they will tell you that the political risk they fear most comes from the US, given the zeal with which regulators there have targeted international financial institutions.

Bad things happen to good companies

You can't anticipate all obstacles. Despite all your efforts, things can go badly wrong. An acceptance of that reality can help you be more emotionally prepared – and more effective when the crisis comes.