

Club of Florence

Seminar 7-9 February 2013, Villa Romana

Risking for sustainability by evaluating the sustainability of risks – about leadership, good sense and the need of a future oriented and responsible management of benefits and risks

Four workshops

Sustainable risk: a matter of governance?

With Miriam Garnier and Henrik Immonen

--DEFINITION:

Object of risks (in relation to corporate governance): Breaking of rules, reputation, image

Acceptability of a risk

- PERCEPTION:

How to handle the unpredictable? => scenario; governance; best case and worst case (decision making-process; risk-committee)

Information, circumstances, sticking to the same strategy

Diversity; chairman, personality (competent, independent)

Competence

-PREFERENCE:

Definition of maximum risk; link to equity

“I want x% return as an owner” (but forgets to say what risk is accepted)

=> governance issue

Ownership short-term long term => financial literacy

Values (business ethics) are part of governance (top down)

Risks embedded in strategy

Sustainable risk: a matter of generations?

With Andreas Hoepner and Partick Schneckeburger

Rather short **answer** – NO!

- older generation – sustainability a question of legacy
- younger generation – sustainability a “necessity”
- middle generation – sustainability partly disputed, but also a topic

Changing **risk patterns** within the “internet generation” – risks becoming more abstract and potentially more numerous

Behavioral aspects of the “internet generation” – more ways of interactions, networks, “more Facebook-friends” but less deeper relations

- Risks of **changing priorities** – more expectation towards life – know what other friends are doing puts pressure on to do the same
- Risk of **transparency** – full transparency – all information is available – but do we know more e.g. information overload?
- Risk of **changing values** – what sets the values and how stable are they?
- The **model of life** – which value defines it? How to identify core values in a mass of different?
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Sustainable risk: a matter of mind?

With Robert Miller and Severine Vadon-David

-DEFINITION:

Mind is “calculated risk” (ie with a mathematical component: decisions are taken so that as benefits > risks), as opposed to “mind” as in “gut feeling” (feelings, state of mind, aggressiveness).

FACTORS AFFECTING the PERCEPTION of risk:

Degree of awareness: the main factors affecting our awareness are work & life experience, information, preparation, age, agenda, culture, markets where you operate

Incentive types: affect perception of risks; are they “with upside-only”? (in this case, you are incentivized to take maximum risks for maximum rewards), or are there some “upside and downside” components (such as budget cuts)?

Liability/responsibility for risk also affects perception (politicians bear little ‘personal risks’ although they take decisions affecting all !).

For **sustainable risks** it is necessary

- to set **limits** is crucial; vulnerability and the need for emotional intelligence
- to have **criteria for recruiting managers** (managers should prove: intelligence, honesty, they learn fast and analyze information, gut feelings)
- to promote **diversity**, as it increases the quality of risk management and decisions. Differences between men and women: women protect/calculate more/think more of security; men are more goal-oriented /use more gut feelings/take greater risk.
- to improve **flexibility**: look, be aware; take decisions and change decisions when relevant

Important statistics by Robert Miller: in case of high danger (such as airplane crashes):

- 2% of people can lead
- 18% of people take wrong decisions (jump or fall into the fire, etc..)
- 80% of people are paralyzed (but they can be directed/managed)

Sustainable risk: a matter of courage.

With Rosely Schweizer and Claudia Schneckeburger

-**self confidence**

-**curiosity** as a driver

-**secure background** / x /relationships; values + virtues + vision

-ability to say “**no**”

-ability to **accept conflicts**

-**strong makes weak**

-**balancing** of costs and benefits of actions

=> **The mouse attacks the cat**

Final remarks and commitment for the evaluation of sustainable risks

- Knowing the risk and its magnitude is half the solution
- It's better to agree to disagree BEFORE you enter jointly into a risky situation
- Taking risks needs self-confidence
- The benefits of an action have to be bigger than the risks
- Who thinks to know everything bears a big risk.