

RISK AND GOVERNANCE

Good governance precedes a healthy recovery

Risk management and governance are essential enablers of growth.

Our series of insights can help businesses look at the external drivers and internal enablers that will underpin their strategy and programmes, whilst working in sync to boost performance. We assess the impact of governance and its role in supporting a healthy recovery.

Retuning Action Areas:

- Risk assurance should be seen as realising an opportunity
- Revisit the fundamentals of your governance framework
- Review your strategy more regularly
- Balance technology with people and processes in decision-making
- Use this time to check and fix behaviours

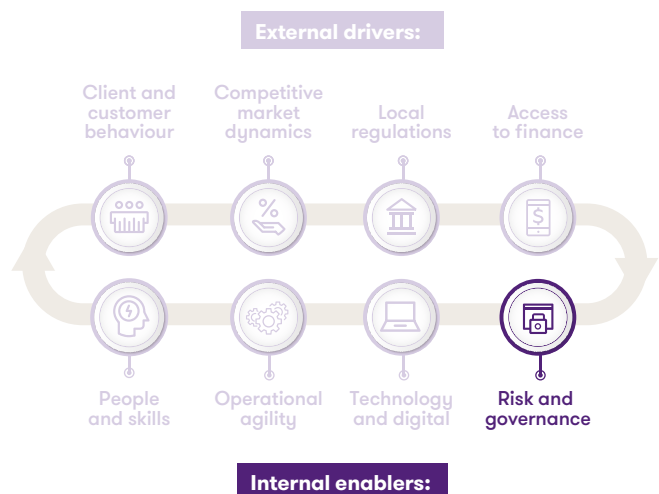
The global pandemic has provided an enormous shock to businesses and, for many in the mid-market, fundamentally tested their ability to deal with crisis and disruption. Indeed, according to Grant Thornton's [IBR data](#), 42.2% of global respondents think they will need to improve crisis management processes after the COVID crisis.

But those businesses with robust governance and contingency were able to respond to disruption more quickly and, in doing so, minimised their exposure to risk and improved their reputations accordingly. As businesses look to the future and attempt new initiatives, a proactive risk and governance approach can successfully deliver innovation and growth.

Start thinking of risk assurance as realising the opportunities

There is often a tendency to look upon risk and governance as solely defensive measures. Often focused on compliance - and aimed at avoiding negative consequences - the benefits of good governance is frequently overlooked.

Eddie Best, global co-leader of business risk services and partner at Grant Thornton UK, says: "It's actually about creating value. It's as much about the upside and making sure programmes are successful as it is about managing the downside.



"It's about supporting customer-facing initiatives, but also bringing technical rigour. It means asking questions from a security perspective, for example, or thinking how data is being handled."

Good risk management and governance come from appreciating that they are intrinsically linked to new business initiatives and operations - not an afterthought to them. "You look at the opportunity and cover off the risk management piece that goes with it", says Best.

Revisit the fundamentals of your governance framework

Boards are currently focused on surviving now and considering fueling growth in the near future with the opportunities which may present themselves.

Much like business risk and continuity planning, corporate governance will be scrutinised and adapted to support resilience. This will require the board to set its strategy and risk appetite and then cascade that approach through the business successfully, through delegating authority, and implementing appropriate processes and reporting around key investments and programmes, whilst ensuring the technology environment is robust.

“In times of crisis, boards should look back at the way they were conducting business and find out if they can improve them in response to the new realities. A couple of important areas to look at are the business models and the corporate culture. When a major crisis hits, it is seldom that things will go back the way they used to be before. Hence, boards need to work with their management to review their business model and find other ways of achieving organisational objectives.”

“Corporate culture is about the values and ethical standards used for day to day, as well as strategic, decision making. Facing major crisis usually exposes corporate culture, it differentiates companies that have good culture from those who do not. Boards should oversee culture; they should assess and identify areas of change. Culture changes must then affect management KPIs and remuneration policies so that it becomes a reality and not just a mere piece of paper.”



Dr. Ashraf Gamaeldin
CEO
Hawkamah

Review your strategy more regularly

In the past, businesses would develop a plan and perform a refresh and review with the board quarterly. Today, companies need to do that more regularly, particularly as new market entrants, increased regulation and economic fluctuations continue to dominate. Assessing your strategy and ensuring you are factoring in the changing landscape is almost a daily if not weekly business requirement.

Balance the technology with people and processes in decision-making

Businesses need to keep track in real-time through the use of technology. They should embrace powerful tools that distil complexity and provide data through dashboards, such as monitoring extraordinarily complex supply chains.

Such an approach provides agility and efficiency; however

the cost, risk and complexities must be measured.

Whilst technology can support with decision-making based on data and human action, decisions and behaviours will continue to play a key role. It is not that one way is universally better than another, but instead that each project requires assessment and striking a balance to provide the best outcomes.

Use this time to check and fix behaviours

“Culture is fundamental,” says Best. “If you look at the major frauds and errors, it mostly comes down to poor behaviour, judgement and culture.”

“If you remove some of the checks and balances and you encourage people to go in a certain direction, you shouldn’t be surprised when they overstep the mark, and do things that are inappropriate in pursuit of profit.”

A culture audit can bring to the surface some of the beliefs and behaviours within the management teams that enable people to act badly and take unnecessary risks.

“Culture is not an accident. You determine the culture you want. And some drivers deliver that around strategy, leadership, people management, and the process within the business so that you hire the right people, you train them the right way, and you reward and promote them in line with the culture you want in the business.”

COVID-19 is disrupting many businesses, including their working practices and the way they sell products and services. Transformative innovations – both operationally and technologically – will play a key role in recovery but businesses must assess whether their risk management and governance processes are still fit for purpose. Do remote teams, for example, need extra layers of governance to ensure they are not pressured into behaviours that may betray best principles? While businesses must nail down the crisis management aspects, they must also retune their processes to ensure they deliver on their strategic goals.

Speak to our team across Saudi Arabia to help you prepare your risk and governance strategy and processes.

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