



Risk Culture

How To Get It Right



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Executive summary

Risk culture is the foundation upon which any successful enterprise risk management (ERM) programme is built. Without a good risk culture, even the best frameworks, policies and processes will not pre-empt adverse outcomes for a company.

It is important for businesses of all types and sizes, including small and medium-sized enterprises (SMEs), to get risk culture right. Businesses should develop their own risk culture which best aligns with their purpose and goals.

This publication shows how good risk culture facilitates business growth, and how it helps businesses to make risk-aware decisions in today's dynamic business environment.

In section 1. **What is Risk Culture?** we define risk culture and identify tangible themes which would allow actionable measures to be taken. We show how hard and soft mechanisms interact to build a good risk culture. We also emphasise that good risk culture is not risk aversion.

In section 2. **Attitudes**, we discuss how frank and open discussions within a company is key to developing good risk culture. Communicating risk appetite and risk tolerance is another factor here, as are the broader risk considerations that go beyond the financial impact to a business.

In section 3. **Behaviours**, we look at how the externally observable messages, decisions, and actions of the company's leadership are crucial to signalling to all staff the company's attitude towards risk.

In section 4. **Structures and processes**, we see how systems and processes are essential to disseminating and embedding the desired risk attitudes and behaviours throughout a company. This relates to the alignment of remuneration with performance/behaviours, whistle-blowing and feedback channels, as well as education and training. We also share some of the tools and mechanisms which risk practitioners use to establish a good risk culture within a company.

Section 5. **Risk culture: a view from an investor** shows why and in what way institutional investors are interested in the risk culture of the companies in which they invest.

Finally in 6. **Conclusion**, we share some of the key success factors, which we have gathered from business owners, in how they have built a good risk culture that equips them to navigate the risks which markets pose.



Introduction

All businesses need good risk culture

Risk culture is the critical foundation upon which any successful enterprise risk management (ERM) programme is built. Without good risk culture, even the best frameworks, policies and processes will not pre-empt adverse outcomes for a company. After all, the renowned management guru Peter Drucker once purportedly said that “Culture eats strategy for breakfast.”

“Culture eats strategy for breakfast”

The phrase means that even the best strategies can be thwarted by a company’s culture. In other words, if the people within a company resist the strategy that has been laid out, or are apathetic to it, it would be very hard to implement that strategy successfully.

While this phrase has often been attributed to Peter Drucker (1909 – 2005), it does not appear in any of his books.

The phrase gained currency when it was popularised by Mark Fields, the President and CEO of Ford Motor Company from 2014 to 2017.¹

It is important for businesses of all types and sizes, including small and medium-sized enterprises (SMEs), to get risk culture right. By this, we do not mean that there is a universal model of good risk culture to which all businesses should aspire. Instead, businesses should develop their own risk culture which best aligns with their purpose and goals. There are probably no two risk cultures that are exactly the same because of unique factors that define each company.

There has been a burst of interest in risk culture since the global financial crisis of 2008, which started from a reappraisal of how risk culture was practised in banks and financial organisations. There is common agreement that failures of culture, leading to excessive and uncontrolled risk-taking, were responsible for the outbreak of the financial crisis. However, there has also been a growing desire to reconnect risk management processes to a new understanding of the company’s purpose that is based on values². All of these transcend the finance sector and are at the heart of discussions on risk culture today.

This publication shows how businesses can get risk culture right. Through interviews with business leaders of Singapore-based companies, we share their personal experiences in building good risk culture, as they navigate business challenges. Additionally, we held a roundtable discussion with business leaders and investors on the practical takeaways for businesses to consider with regard to risk culture.

1 Cave, Andrew. 2017. “Culture Eats Strategy For Breakfast. So What’s For Lunch?” Forbes, 9 November 2017. <https://www.forbes.com/sites/andrewcave/2017/11/09/culture-eats-strategy-for-breakfast-so-whats-for-lunch/#78257ba87e0f>

2 Power, Michael and Ashby, Simon and Palermo, Tommaso. 2013. Risk culture in financial organisations: a research report. CARR - Analysis of Risk and Regulation, co-published with London School of Economics, CIMA, et al. London, p. 2-4. <http://eprints.lse.ac.uk/67978/>

Through the insights and experiences they shared, we show how good risk culture facilitates business growth, and how it helps businesses make risk-aware decisions in today's dynamic business environment.

Debunking Myths on Risk Culture

Let us first tackle some myths often associated with risk culture.

Myth 1 – Risk Culture is a fuzzy concept

Some say risk culture is an intangible concept with no concrete practices and processes to focus on. They conclude that it is not worth investing time and effort into something that cannot be measured.

However, this might be too simplistic a conclusion. This might even be a potentially dangerous conclusion to make, as the US bank Wells Fargo had the unfortunate opportunity of experiencing (see boxed feature below on “The case of Wells Fargo: Why is good risk culture important?”).

To build an appropriate risk culture, a variety of hard and soft mechanisms are used. When they interact with each other, a virtuous circle underpinning good risk culture is created.

The case of Wells Fargo: Why is good risk culture important?

In September 2016, Wells Fargo was issued a combined total of US\$185 million in fines for creating over 1.5 million checking and savings accounts and 500,000 credit cards that its customers never authorised. The Consumer Financial Protection Bureau issued US\$100 million in fines, the largest in the agency's five-year history, along with US\$50 million in fines from the City and County of Los Angeles, and US\$35 million in fines from the Office of Comptroller of the Currency.

This incident involving Wells Fargo was instructive. Their employees were found to have created the fake bank accounts.

Despite Wells Fargo's reputation as a “paragon of risk management” that had all the necessary risk management measures in place, it was its culture of a high-pressure sales environment that was responsible for the wrongdoings. That was the conclusion of the post-scandal independent investigation.³

Myth 2 – Risk culture is only for large companies

Yet others may think that building risk culture is only for large companies, since they have abundant resources to create and maintain an ERM framework.

However, it is a misperception that creating a good risk culture can only be achieved through implementing a sophisticated ERM framework. Neither is it the case that ERM frameworks are irrelevant to SMEs. SMEs face risks just as large companies do, just that the magnitude of those risks may differ for them.

It is precisely because SMEs may not have the time and resources to establish more formalised ERM practices that makes good risk culture an imperative for them. Establishing a good risk culture can help the business leader ensure that the entire company acts in a consistent and systematic manner which is deemed as responsible and acceptable behaviour. This is particularly crucial for them in times of a business crisis.

We illustrate how this seemingly fuzzy concept of risk culture can be broken down into three tangible themes – attitudes; behaviours; and structures and processes – which would allow actionable measures to be taken.

But first, what exactly is risk culture?

³ Independent Directors of the Board of Wells Fargo & Company. 2017. Sales Practices Investigation Report, April 10, 2017. <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/presentations/2017/board-report.pdf>; Rossi, Clifford. 2016. “Wells’ Risk Management Tools Should Have Caught This Sooner,” American Banker 12 September 2016. <https://www.americanbanker.com/opinion/wells-risk-management-tools-should-have-caught-this-sooner>

1

What is risk culture?

Risk culture can be understood as a company's "norms and the collective attitudes and behaviours of its people that influence risks and impact outcomes." Risk culture provides a lens that focuses general concerns about a company's culture on risk-taking and risk control activities.⁴

In the same vein, the Institute of Risk Management uses an A-B-C approach to understanding how risk culture works in practice, in which:

- The **Culture** of a group arises from the repeated **Behaviour** of its members;
- The **Behaviour** of the group and its constituent individuals is shaped by their underlying **Attitudes**;

- Both **Attitudes** and **Behaviour** are influenced by the prevailing **Culture** of the group.⁵

Risk culture is sometimes defined as an element of corporate culture,⁶ which has itself been described as the "result of shared values, basic, underlying assumptions and business experiences, behaviour and beliefs, as well as strategic decisions."⁷ Culture is much more than simply a style of management, because it encompasses a set of experiences, beliefs and behavioural patterns.

The international standard on risk management, ISO 31000:2018, includes "Human and Cultural Factors" as one of the key principles required for an effective risk management, and elaborates that "Human behaviour and culture significantly influence all aspects of risk management at each level and stage."⁸



4 Ernst & Young, 2015. "Risk Culture: How Can You Create a Sound Risk Culture?" [http://www.ey.com/Publication/vwLUAssets/Risk_culture_-_How_can_you_create_a_sound_risk_culture/\\$File/EY-risk-culture-model-brochure.pdf](http://www.ey.com/Publication/vwLUAssets/Risk_culture_-_How_can_you_create_a_sound_risk_culture/$File/EY-risk-culture-model-brochure.pdf)

5 Institute of Risk Management (IRM). 2012. Risk Culture: Under the Microscope – Guidance For Boards. IRM: London, p. 7. https://www.theirm.org/media/885907/Risk_Culture_A5_WEB15_Oct_2012.pdf

6 Carretta, Alessandro and Paola Schwizer. 2017. "Risk Culture", in A. Carretta et al., Risk Culture in Banking, Palgrave Macmillan Studies in Banking and Financial Institutions, p. 17. <https://www.palgrave.com/gp/book/9783319575919>

7 Carretta and Schwizer, p. 12

8 International Organization for Standardization (ISO). Website. "ISO 31000:2018: Risk management - Guidelines". <https://www.iso.org/standard/65694.html>

Practical indicators of good risk culture

There are four practical indicators one can consider, when building a good risk culture for your company. Each of these indicators are illustrated by some questions that you could ask of your company.

1. Indicators of tone from the top:

- *Can the board point to an example where consideration of risk appetite affected strategic decision-making?*
- *Does senior management lead by example?*
- *Is middle management displaying the right behaviours?*
- *Are the mission, vision and values clearly aligned and communicated throughout the company?*
- *What process does the company have to ensure the message [the company's mission, vision and values] is consistent, well understood and accepted throughout the company?*
- *Is the strategy appropriate given the risk appetite, and does the risk appetite framework ensure that decisions made throughout the company are consistent with risk appetite?*

2. Indicators of accountability:

- *Is it clear that the front office is responsible for all aspects of risk stemming from their activities, including reputation and operational risk?*
- *Is the board aware of the escalation process for control breaches?*
- *Are there reports indicating how often controls are breached in different business lines?*
- *When was the last time an individual was disciplined and compensation cut as a result of unacceptable risk taking, even in spite of high revenue generation?*

3. Indicators of effective challenge:

- *Does the culture support constructive dissent?*

- *Does the culture support risk transparency and enable concerns to be raised and voiced?*
- *Can you cite a time when an employee raised concerns about risk taking? How did the company react?*
- *Does the risk management function have skills necessary to understand all products and models?*

4. Indicators of incentives:

- *How often do business heads say "we can't stop offering this product because our sales force needs it"?*
- *How are remuneration and risk-taking behaviours linked?*

Source: EYGM Limited, 2014

Example of a risk culture statement

DBS Bank's Annual Report 2017⁹

Culture

We believe that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. In DBS, other than relying on published codes of conduct, we also advocate the following organisational safeguards to maintain a strong risk and governance culture.

- **Tone from the top:** The tone set by the Board and senior management is vital; it is equivalent to the moral compass of the organisation. In addition to having in place comprehensive policies, we conduct a robust self-assessment on the Group's risk culture.
- **Aligning strategies and incentives via the balanced scorecard.**
- **Respecting the voice of control functions:** We believe that respect for the voice of the control functions is a key safeguard. We ensure that control functions are well integrated into our organisational structure so that they can properly discharge their responsibilities.
- **Risk ownership.**

- Having established escalation protocols: We designed a notification protocol that makes it mandatory for staff to report significant incidents. This means that the organisation is prepared to receive bad news and take necessary remedial actions without shooting the messengers.
- Encouraging constructive challenges at all levels: Fundamentally, we inculcate a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making. We also operate a culture where we actively engage the Board for their views early.
- Reinforcing cultural alignment: Finally, we conscientiously reinforce our cultural norms by rewarding right behaviours and censuring wrong ones.

Hard and soft mechanisms

Risk culture exists at different levels in a company. The question is not whether risk culture is absent from a company, but whether it is aligned with the expectations and needs of the stakeholders that the company serves. As such, risk culture has been described as the “missing link” in understanding how risk and reward is successfully balanced in the course of decision-making. This is because rules and regulations can be misunderstood or misapplied, whether intentionally or not.¹⁰

To build an appropriate risk culture, a variety of hard and soft mechanisms often need to be in place. When they function effectively, these mechanisms contribute towards delivering the desired attitudes and behaviours. In turn, these attitudes and behaviours provide a positive feedback loop for such mechanisms, thereby creating a virtuous circle.

Structures are the necessary hard mechanisms, but they are not sufficient by themselves. A good risk framework is not a magical cure-all. Structures do help, such as in improving transparency with the way things work in a company. But soft mechanisms, in the form of attitudes and behaviours (as discussed above), are also important in building a good risk culture.

In the model on page 7, culture mechanisms and behaviours outcomes reinforce each other through a virtuous circle. Culture mechanisms in themselves are underpinned by incentives, leadership, risk framework and organisation. Behaviour outcomes comprise the traits of being:

- Responsible and accountable
- Collaborative
- Ethical and compliant
- Communicative
- Adaptable
- Able to advocate for good outcomes
- Able to analyse and interpret what the best decisions for the company are.

This structure, in turn, can form the basis of good risk culture.

Good risk culture is not risk aversion

It also pays to note what risk culture is not.

A strong risk culture does not mean adopting a risk-averse business strategy. In fact, a high aversion to risk-taking is considered a risk in itself. By not making bold decisions and moves, a business could lose out to competition.

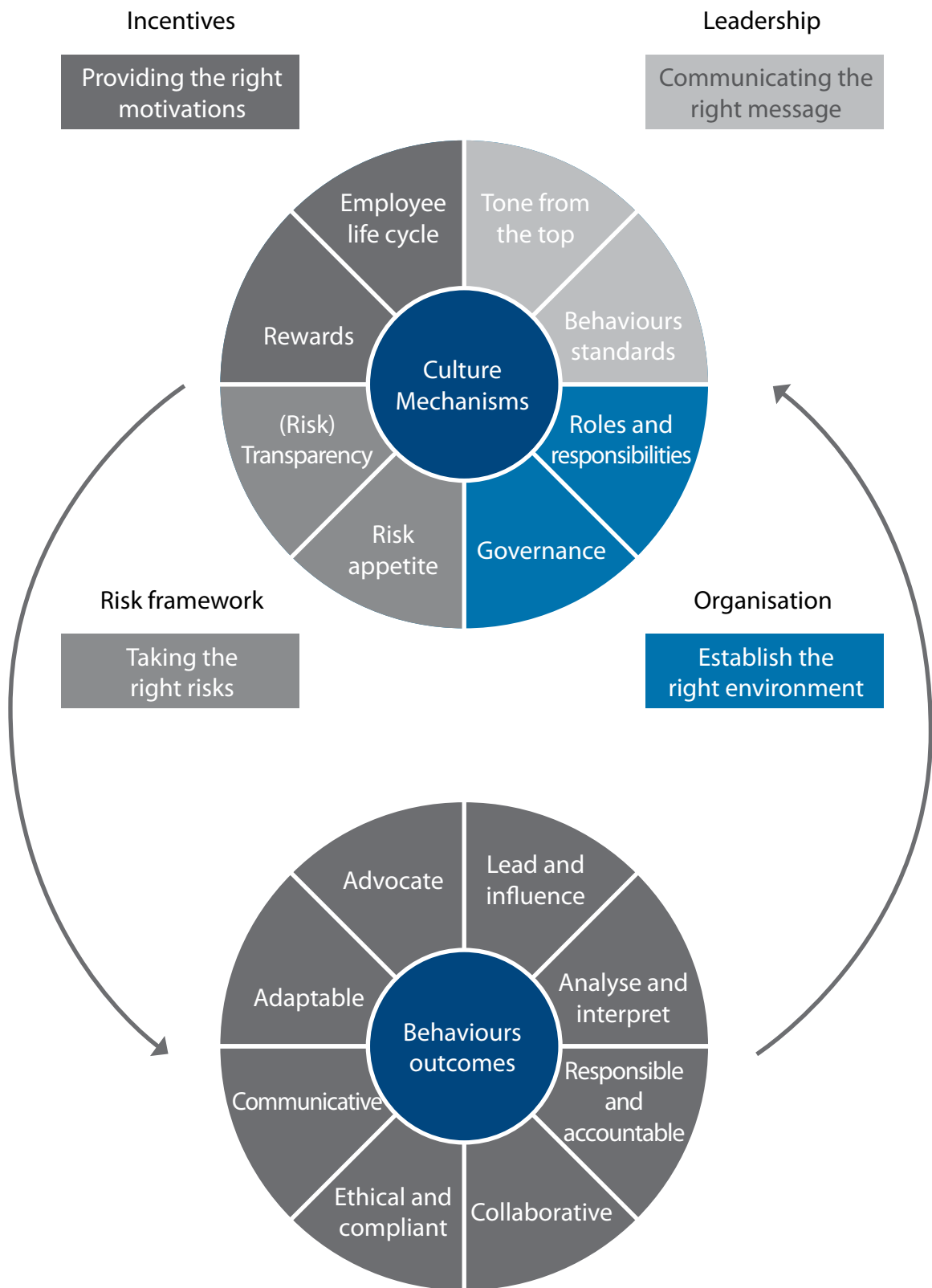
Here, the often-cited case is that of Kodak’s film and camera business being obliterated by digital photography. Yet it was actually a Kodak staff member who built the first ever digital camera, back in 1973. Steven Sasson, the inventor in question, was faced with the disinterested response of his company, which insisted that none of their customers were complaining about conventional cameras.¹¹

Businesses should look at risks positively, manage it and incorporate risk considerations so that it can unlock its entrepreneurial potential. Taking calculated risks is healthy, and risks should be part and parcel of business management and innovation. Good risk culture is ultimately meant to help the business thrive, not hinder it. Part of the problem is the compliance mindset that is sometimes imposed on businesses. The means of building up a good risk culture is not meant to be so onerous that they stifle innovation and sap up all the energies and resources of the company leadership. Rather, good risk culture should be commercially oriented. Businesses may wish to consider if the culture they have presents any risks to the business.¹²

10 Institute of Risk Management (IRM). 2012. Risk Culture: Under the Microscope – Guidance For Boards, p. 8.

11 Estrin, James. 2015. “Kodak’s First Digital Moment”, *New York Times*, 12 August 2015. <https://lens.blogs.nytimes.com/2015/08/12/kodaks-first-digital-moment/>

12 Financial Reporting Council, UK. 2016. “Corporate Culture and the Role of Boards – Report of Observations,” July 2016. <https://www.frc.org.uk/directors/the-culture-project>



Source: EYGM Limited, 2015

2

Attitudes

Frank and open discussions

There should be a willingness on the part of the company leadership to accept contrarian views to add to the robustness of decision making. The company leader should acknowledge that risk is multi-faceted, and that no one person knows everything, or what is best.

This would ultimately enable the leadership to make well-informed risk decisions, rather than to be blindsided by risks that could be avoided. The goal is to engender frank and open discussions at the board and senior management levels, so that blind spots can be identified early so as not to compromise company decisions.

“There is diversity in one of the boards on which I sit, as well as among the company’s shareholders. This is a healthy board because all its members speak openly, and they ask pointed questions from different perspectives. Most of the time, the Chairman will take a position after having considered all views.”

- Kelvin Tan,
Independent Director/
Audit Committee Chair of listed companies

Much of this may have to do with how board directors are selected and how management is staffed. The aim should be to “create a collegiate assessment of risks,” as one of our interviewees told us.

“My advice to someone starting a business is: don’t make decisions based on the pride of your origin as the company’s founder or managing director. Make sure that you have advisors and board members, with different backgrounds. They should not be just all your friends, classmates,



or the people you did National Service with – even though they might help you sometimes. But you have to deliberately ensure you have created a collegiate assessment of risks from a group with different perspectives.”

- Michael Dean,
Audit Committee Chair and
Risk Management Committee Chair,
Delfi Limited

Part of creating an environment for frank and open discussion is to require those below the senior management level to be more vocal.

“We encourage the managers to voice their opinions. Often, junior management may not dare to speak up during management meetings. We make deliberate effort to urge them to share their views.”

- Kelvin Lim,
Executive Chairman and
Group Managing Director,
LHN Group



Sceptics may question whether it is even possible to convince an all-powerful business owner to be genuinely open to different viewpoints. After all, the owner of an SME is often a self-made entrepreneur who would have good reason to trust his or her business instincts. But logically, it is always in the interest of the business owner to listen to opposing or differing voices, which they may ignore at their peril.

“Why would I want to insist I am right if I know I am wrong? I would suffer at the end of the day.”

**- Lawrence Leow,
Executive Chairman,
Crescendas Group**

There may be a fear among some that a culture of frank and open discussions may be detrimental, in times when firm and quick decisions are necessary. But this does not mean discussions are to be endlessly open-minded, nor do they have to result in indecisive outcomes. During board meetings, a vote is typically held whenever there are any differences in views among its members. The Chairman has the deciding vote if there is a tie. What is important is that there is the opportunity for a candid and robust debate on the issues before a company comes to a decision.

The case of Ford: An outsider changes the culture

When Alan Mulally took over the top job at Ford in 2006, the 100-year-old carmaker was on the road to insolvency. The first profit forecast Mullaly saw was for a loss of US\$17 billion. When he retired eight years later however, he left behind a business in robust financial health. Ford did not need a government bailout unlike some of its rivals who were similarly battered by the global financial crisis.

According to Mulally himself, the biggest change he undertook at Ford was cultural. When he first took the reins at Ford, the main challenge he faced was to persuade managers to work together, instead of focusing on internal rivalries. “I knew that if we were to be successful with our plan, we had to break through that culture, where there was little sharing and where people were afraid to share how things really were,” he said.

Of course, Mullaly nevertheless had a business plan to turn Ford around, which involved the difficult decision of mortgaging many of its most treasured assets such as its Mustang brand and the Ford logo itself, in order to raise US\$23.5 billion in loans.

Mullaly knew that his goal of changing Ford’s culture had been achieved when his managers started turning up for meetings with evidence of failures to share. They also started asking for help, rather than pretending the failures did not exist. Sir Nick Scheele, a former President of Ford, concurred that this change in Ford’s culture was the key in turning the company around. “Plenty of people had tried to address it, including myself – without much success,” Sir Nick admitted.

Furthermore, Mullaly’s outsider status was integral to turning around Ford’s culture. He came from Boeing, the aerospace giant, and was criticised by some at first for having no experience in the automobile industry. “It really needed an outsider to come in and say that the culture was the problem,” Sir Nick said. “Alan did that. Without him, the business could certainly have gone under.”¹³

13 Leggett, Theo. 2014. “How Ford’s Alan Mulally turned around its fortunes,” *BBC News*, 1 July 2014. <http://www.bbc.com/news/business-28087325>

Communicating risk appetite and risk tolerance

Formal statements

For good risk culture to take root and develop in a company, there must be a clear definition of what are desirable behaviours and actions, and what are not. For large companies, this often comes in the form of a formal risk appetite or risk tolerance statement, which would be the most effective way of communicating the company's accepted risk appetite to thousands of employees.

A **risk appetite statement** sets out the type and amount of risk that a company is willing to take in order to meet its strategic objectives. Each company will have different risk appetites depending on their industry, culture and objectives, and these could change over time.¹⁴ On the other hand, a **risk tolerance statement** more narrowly sets out the acceptable level of variation around the company's objectives.¹⁵

Example of risk appetite statements

SingTel's Annual Report 2017¹⁶

The Board has approved the following risk appetite statement:

- The Group is committed to delivering value to our shareholders achieved through sustained profitable growth. However, we shall not compromise our integrity, values and reputation by risking brand damage, service delivery standards, severe network disruption or regulatory non-compliance.
- The Group will defend our market leadership position in Singapore and strengthen our market position in Australia and in Asia Pacific through our regional associates. We will continue to pursue business expansion in the emerging markets, including acquiring controlling stakes in the associates, and actively managing the risks.
- The Group is prepared to take measured risks to seek new growth in the digital space by providing global platforms and

enablers, targeted at a global footprint, while leveraging our current scale and core strengths.

- The Group targets an investment grade credit rating and dividend payout policy consistent with our stated dividend policy and guidance.

Informal processes

In the absence of a formal or explicit risk appetite and/or risk tolerance statement, the management and the board should nevertheless establish a common understanding on the company's accepted risk appetite and risk tolerance.

“We use the potential impact on our income statement as a guide. We will try to quantify it in dollars and cents. When we look at projects, we will look into our cash flows and merits of the investments. We also try to ascertain what our exposures are. As a Catalyst company, we do have a threshold rate of return to meet and our sponsors will always guide us through our major transactions as well.”

**- Kelvin Tan,
Independent Director/
Audit Committee Chair of listed companies**

For others, the function of a formal risk appetite statement is taken by practices instilled by the leader of the SME in lieu of a written statement or document. The business leader can propagate the desired risk appetite of the company by working through a situation with his staff, through processes akin to osmosis.

14 Institute of Risk Management (IRM). Website. Risk appetite and tolerance. <https://www.theirm.org/knowledge-and-resources/thought-leadership/risk-appetite-and-tolerance.aspx>

15 Risk and Insurance Management Society (RIMS). 2012. “Exploring Risk Appetite and Risk Tolerance”. *RIMS Executive Report: The Risk Perspective*, p. 3. https://www.rims.org/resources/ERM/Documents/RIMS_Exploring_Risk_Appetite_Risk_Tolerance_0412.pdf

16 Singtel Annual Report 2017. “Risk Management Philosophy and Approach,” p. 94. <http://info.singtel.com/annualreport/2017/files/Risk-Management-Philosophy-and-Approach.pdf>

“My people are all very savvy in this area. Even for a simple work order, I tell them to make sure they’ve checked everything carefully. When the documents come to me and I still find that something is not right, I will tell them and have an in-depth discussion about the matter. The other habit I have is making my employees re-do something they have not done properly, until it is right. They learn from such incidents and from observing. As a result, it is already in our DNA and mindset that we must be mindful of risks and ensure everything is in order.”

- Lawrence Leow,
Executive Chairman,
Crescendas Group

The message is evident: with or without formal statements or documents, the company’s agreed-upon risk appetite and risk tolerance must be clearly and effectively communicated to the population of its employees.

Broader risk considerations: beyond financial impact

When making strategic business decisions, many of our interviewees shared that they were involved in discussions of the broader risk considerations, and the focus was not just simply on the financial impact to the business. The discussion could come through both formal and informal processes.

“For everything we do, we would first evaluate the risks involved. Thereafter, the risks can be

mitigated in many ways – for example, by buying insurance or instituting good business and operational practices on-the-ground. For the second case, what needs to be practised or effected would be communicated to the person managing the project or property and to the ground staff. We also require our staff to regularly submit reports to senior management for review and monitoring purposes.”

- Kelvin Lim,
Executive Chairman and
Group Managing Director,
LHN Group

“When we plan for business expansion and other investments, we will take into consideration four types of risks – investor risk, corporate risk, human/employee morale risk and shareholder risk. Our thought processes include a consideration of these risks before we embark on projects.”

- Stanley Yeo,
Founder and Group CEO,
ZACD Group

A business model framework can be helpful to consider risk with the context of the purpose, strategy and values of the business. One example of such a framework is the CGMA Business Model Framework¹⁷, which can also be used to take a deeper dive look at the business through a particular lens, such as trust, risk and culture.¹⁸

¹⁷ Chartered Global Management Accountant (CGMA). 2018. A Practical Guide to the CGMA Business Model Framework (forthcoming on the CGMA website in June 2018).

¹⁸ CGMA. 2018. Managing the Trust P&L – a Toolkit for Boards (forthcoming on the CGMA website in June 2018).

3

Behaviours

The behaviour of the company leadership – the externally observable messages, decisions, and actions that they project – are crucial to signalling to all staff the company's attitude towards risk. What the leadership spends time and effort on – the recruitment process of a staff member, or during the staff member's induction into the company – is also a powerful signal to all employees as to what is important to the company.

“Risk culture starts with humans – the staff. We are very strict in recruitment, especially on the integrity of staff. That is the beginning of a lot of things. A lot of companies practise a culture whereby they don't care what their staff do so long they deliver on the numbers. We are not like that.”

- Kelvin Lim,
Executive Chairman and
Group Managing Director,
LHN Group

“I try to make employee bonding in our company very strong, so that they know I am always with them. Even if their colleagues try to cheat the company, they would not want that to happen. They also fear the repercussions of cheating the company.”

- Lawrence Leow,
Executive Chairman,
Crescendas Group

There should be clear consequences for individuals found to have breached the expected ethical behaviour. Dealing with such breaches in an open manner would send a strong message as to the kind of behaviour that the company does not tolerate.

“I once encountered a case that related to breach of trust that resulted in multiple dismissals. You don't want such employees tainting your culture. The messaging is important. You have to show others that you do not tolerate the wrongdoing, otherwise they may think it worthwhile taking the risk.”

- Michael Dean,
Audit Committee Chair and
Risk Management Committee Chair,
Delfi Limited

“We handle whistle-blowing cases openly so employees know that this policy is effective.”

- Chow Kam Wing,
Executive Director and Chief Financial Officer,
Micro-Mechanics Holdings

Some of our interviewees shared about the demanding key performance indicators (KPIs) that they use to drive their staff towards greater performance. But they also emphasise that they do not let unethical behaviour become acceptable in the name of achieving demanding targets. There should not be a practice punishing individuals for a bad business outcome or a missed business target, if due process was followed.

“Our company resolutely prohibits the practice of offering facilitation payments or bribery, even though this might boost our sale revenue and increase

our company growth. Employees who violate this will have their employment terminated.”

- Chow Kam Wing,
Executive Director and Chief Financial Officer,
Micro-Mechanics Holdings

“Non-performance could be largely due to external factors such as in the less predictable markets, which we will take into consideration during performance evaluation.”

- Stanley Yeo,
Founder and Group CEO,
ZACD Group

CapitaLand Institute of Management and Business (CLIMB): “Integrity is very important”

Liew Mun Leong, the founding President and CEO of CapitaLand Group who held the position from 1996 to 2012, started a training institute within the company called CLIMB, which stands for CapitaLand Institute of Management and Business.

In an interview with Channel NewsAsia, Liew said that he has managed to do eight-hour lectures for his staff towards building integrity. “If I invest in my staff to teach them the right things, I save a lot of my time, I save a lot of my problems down the road,” Liew says.

“We think that integrity is very important, so if you don’t have it, we have to brainwash you!” he adds. Furthermore, he says half-jokingly that the ‘B’ in CLIMB “also stands for brainwashing.”¹⁹



19 Jagdish, Bharati. 2018. “Why charges are needed to help pay for T5: Changi Airport Group chairman Liew Mun Leong,” *Channel NewsAsia*, 1 April 2018. <https://www.channelnewsasia.com/news/singapore/liew-mun-leong-chairman-changi-airport-group-on-the-record-10088204>; CapitaLand. Website. “CapitaLand Institute of Management and Business (CLIMB).” <https://www.capitaland.com/international/en/about-capitaland/careers/life-at-capitaland/climb.html>

4

Structures and processes



While building a good risk culture is distinct from creating a risk management framework, systems and processes are nevertheless needed to propagate and entrench the desired risk attitudes and behaviours throughout the company. There is an interlocking, interdependent relationship between attitudes/behaviours and structures/processes. This creates the virtuous circle we discussed above, in which hard and soft mechanisms reinforce each other.

Alignment of remuneration with performance/behaviours

The assessment of KPIs and the eligibility for bonuses should increasingly include how well a staff member manages risk, rather than just generating ever greater revenues.

This would come across as good common sense, but complexities can cloud its implementation. How does the company leadership incentivise staff members to grow the company's profit share and, at the same time, mitigate risks?

For large companies like banks, the form in which bonuses takes is increasingly aligned with effective risk management on the part of staff at the management level. For instance, a significant proportion of the staff bonus is sometimes deferred, and the payout of that deferred portion would depend on both the overall performance of the bank and the performance of the staff member in the future. Such a model actually takes into account the risk mitigation actions by the staff.

For some of our interviewees from smaller and mid-sized companies, incentives and bonuses used to reward performance were weighted and tempered in different ways to account for the staff member's risk management efforts. This included weightage given to non-financial indicators like leadership qualities.

“Our practices are very risk-based though there is no formal process. I cannot behave like the big companies. I don't have that level of resources to get specialist audits or de-risking done. For overseas operations, my Singapore finance team visit overseas offices twice a year to evaluate the finance, procurement and human resource processes. We rely on robust processes to mitigate risks; some of these were learnt and adopted from our overseas joint venture partners.”

**- Lawrence Leow,
Executive Chairman,
Crescendas Group**

“On the setting of KPIs for staff, a big percentage lies in financial performance. Some weightage goes to leadership, how they handle their people, projects and properties such that the company is not put at risk. There isn’t a direct link to risk, but if they don’t manage risks, they will definitely not be able to hit their financial performance targets, for sure. We review KPIs with that in mind.”

- Kelvin Lim,
Executive Chairman and
Group Managing Director,
LHN Group

Alignment of remuneration with performance/behaviours: An example

Prudential plc (2015)²⁰

Performance management

The Group includes risk management measures that balance risk taken with profitability and growth achieved in the performance evaluation of key individuals, including both senior management and those directly responsible for risk management (objectives may be quantitative or qualitative as appropriate).

The remuneration strategy at Prudential is designed to be consistent with its risk appetite, and the Group Chief Risk Officer advises the Group Remuneration Committee on adherence to our risk framework and appetite.

Whistle-blowing and feedback channels

Having safe whistle-blowing channels, as well as feedback channels more generally, will allow

wrongdoings to be reported more easily without fear of negative repercussions. For our interviewees, this has come in the form of a direct, anonymous email line to the audit committee chair, or even in the form of a physical “black box”, into which anonymous feedback or reports can be dropped in. Stanley Yeo even regards social media as the naturally preferred platform for whistle-blowing in the digital age, although complaints routed through social media would have to be more thoroughly investigated and verified.

“I conducted a company-wide 360-degree assessment, where I asked employees to assess their supervisors, provide feedback on how they are being treated. The feedback was put into a sealed box, and they had a choice to be anonymous. Through this exercise, I saw a lot of things I had never seen before.”

- Lawrence Leow,
Executive Chairman,
Crescendas Group

“With social media today, we do receive feedback on people in our company, which we do look into. Whistle blowing is now potentially a very open process for all companies.”

- Stanley Yeo,
Founder and Group CEO,
ZACD Group

However, business leaders do not only rely on formal means of feedback, or whistle-blowing for that matter, as the following example suggests.

“I regularly walk the ground and directly speak with staff to obtain first-hand feedback, concerns, and sense for potential risk areas. For example, some of the waiting

20 Prudential plc Annual Report 2015. “Long-term thinking for life,” p. 56. <http://www.prudential.co.uk/~media/Files/P/Prudential-V2/reports/2015/prudential-plc-ar-2015.pdf>

staff at my hotel's café and I are like friends. I always ask them to tell me what shortcomings they see in the course of their work. The risk otherwise is of guests not coming to the café because of such shortcomings."

**- Lawrence Leow,
Executive Chairman,
Crescendas Group**

Education and training

At times, structures and processes are already in place within a company but are not functioning properly because no one understands the rationale for those frameworks. That would call for more education and training to familiarise and create awareness why the structures and processes are necessary.

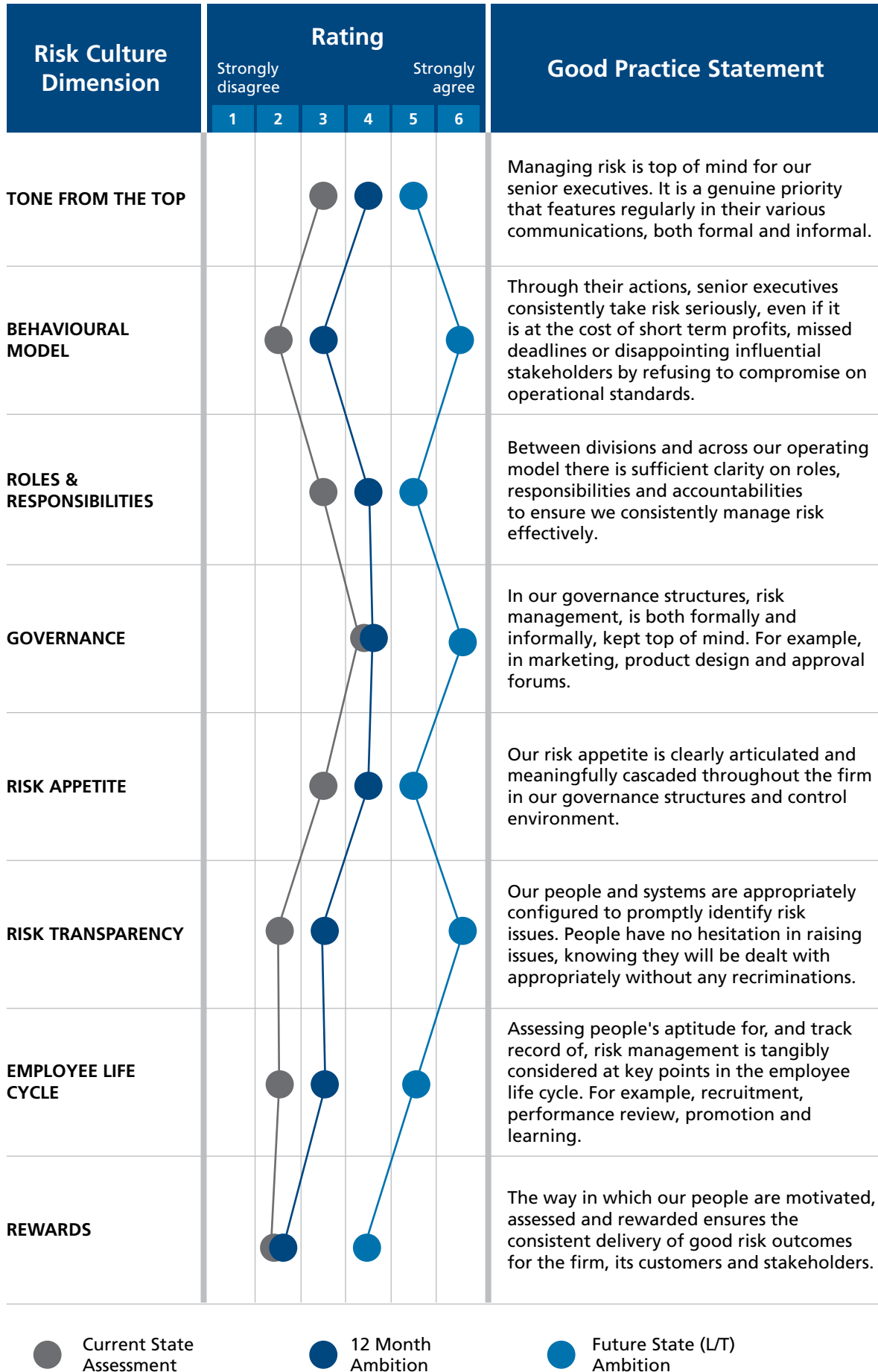
"We will send our employees for training on IT governance and general risk management. All levels including senior management will have to go through this training."

**- Chow Kam Wing,
Executive Director and Chief Financial Officer,
Micro-Mechanics Holdings**

Training could also come in informal ways. As one of our other interviewees shared, he works closely with his subordinates, taking great care to inculcate in them his viewpoints and rationale for decisions rather than just dictating instructions to be executed.

Tools risk practitioners use to build good risk culture

Risk practitioners have a variety of tools and mechanisms to support the establishment of a good risk culture within a company. They would typically analyse and assess the mechanisms in place, through the use of interviews, group sessions and the review of documentation. Their approach often includes the use of a questionnaire focused on the behavioural elements, to be answered by the company's employees. The outcomes from the questionnaire can be aggregated towards any level, to the entire company but also towards different teams and departments (horizontal and vertical view) and can be benchmarked against the standards for a good risk culture. The visualisation of the results, such as in the figure below, gives an insight into the current risk culture maturity level and indicates if any behaviours are below the desired standards which would then need further attention.²¹



Source: EYGM Limited, 2015

5

Risk culture: A view from an investor

The issue of risk culture fascinates institutional investors like David Smith, Head of Corporate Governance at Aberdeen Standard Investments. “We invest for the long term.”

“You want the company to have a degree of drive to make money, but you also want a strong risk culture in the boardroom,” Smith adds. “You would want to make sure that the Rottweiler is unleashed when it is needed.”

Here, Smith cites the analogy of driving a car that is typically used in risk culture circles – good brakes give the driver the confidence they need to go faster, in a safe manner. But the brakes certainly do not stop or hinder the car from travelling faster, unless it is activated when there is impending danger.

Much of Smith’s work involves getting a good sense of the risk culture in the companies that Aberdeen Standard Investments invests in. “We get comfort by getting contact with the companies we invest in. We want to meet not just the CEO, but also the more junior staff, to suss out their views of culture.”

To deal with filtered responses, Smith triangulates the information he gets from the various contact points within a company. “We want to see if they are consistent on what they say about risk and compliance,” he says.

Useful information can sometimes come from the company’s competitors. While competitors may certainly have a motive to denigrate each other, there have been instances of credible whistle blowing reports on clear wrongdoings in a company coming from competitors. Such reports will naturally have to be investigated and verified.

Risk structures: A Day One initiative or mid-journey implementation?

One question investors sometimes ask is: at which point of the company’s life does one introduce formalised risk structures pertaining to culture and management?

This is very much a chicken-or-egg question. Should risk structures be a Day One initiative (which might drain resources away from the fledging company), or should it be introduced only when the business is doing relatively well (by which time it might be too late to correct bad risk culture that has already taken root in the company)?

There is not a right or wrong answer to this, although how the company responds could be instructive as to how robust their risk culture is.

6

Conclusion

A good risk culture can be a source of competitive advantage in the market. While most aspects of culture are internal and invisible – and hence hard to measure precisely and monitor – they are nevertheless a critical component of the effectiveness of any risk management systems put in place by a company.

From our interviews and roundtable, some of the key success factors that we have gathered from business owners:

- Get balanced feedback on your business, so that one does not inadvertently stumble into a risk event.
- Don’t surround yourself only with like-minded people – diversity is important.
- Having a collegiate atmosphere is key. There should be openness to discuss anything, and diversity in knowledge, skillsets and backgrounds. There should also be a willingness to accept that internal or external advice is required at times, and this should be incorporated quickly into decision making.

- Companies, especially SMEs, should see risk culture and frameworks as a building block for future growth, rather than a resource-draining activity.

None of this is to suggest that SMEs inherently have poorer risk culture practices than large companies. Nevertheless, SMEs, with their tighter resources, may indeed need more robust risk culture to be prepared to address the risks they face.

Building an appropriate risk culture, whether for SMEs or large companies, is a continuous everyday effort, rather than a one-off exercise.

Some of the pointers here may seem good common sense. However, good risk culture is about how business owners need to think about these issues in a structured and systematic way. When a company faces a difficult decision, or when the business owner gets too stretched to be able to tend to every matter personally, having a good risk culture and proper structures and processes in place will help the company successfully navigate the challenges of today’s business environment.

In conversation...



Claire Chiang
Senior Vice President,
Banyan Tree Holdings



Banyan Tree Lijiang



Laguna Phuket

How Banyan Tree deals with risk

Thirty years ago, Claire Chiang (CC) and her husband Ho Kwon Ping bought a piece of land by Bang Tao Bay in Phuket, with the intention to build a weekend home. However, they then found out that its soil was acid-laden because of the activities of its previous tenant, a tin mine. But instead of selling the land, they chose instead to rehabilitate the land by planting more than 7,000 trees. In 1994, they opened Banyan Tree's first resort on that land and, as many would say, the rest is history.

Banyan Tree today is an internationally renowned hospitality brand. During our interview with Chiang, we discussed how Banyan Tree has dealt with risk since its inception. Having built the business on the values and ethos of sustainability, Chiang shares her integrated approach towards risk culture, risk management and harnessing her entrepreneurial spirit.

Q: The way you look at risk is very different from most, yet Banyan Tree's success today has proven the efficacy of your approach. Can you share about your approach to risk culture and risk management when you built up Banyan Tree with Kwon Ping?

Claire Chiang (CC): First, there is what businesses understand as "Big 'R' risk", which we need

to address at various levels – by this, I refer to compliance, the structure of discipline, due diligence and SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses. This is a kind of mind-set we have to apply, especially in this VUCA (volatile, uncertain, complex, and ambiguous) world today. We have to be aware of risks almost every day, not just in three months' perspective. Our risk alertness and awareness have to be heightened.

But what we did in Phuket was borne out of an entrepreneurial risk, which did not arise from a strategic intent. In fact, it was a chance encounter. Entrepreneurial traits depend on one's personality. Both KP [husband Ho Kwon Ping] and I are quite bohemian. We like to travel and create things. We sensed that other people would also love the lifestyle in Phuket, and we also started to consider doing something for the local community in Phuket. We wanted a sustainable and continuous project with the right values to drive this journey.

Our values are embedded in the way we define ourselves. It is not something extraneous to our business.

Q: The values of sustainability are obviously very important to you. How do you ensure that these values and culture permeate

throughout Banyan Tree's staff around the world?

CC: Let me give you the example of how our sustainability programmes work throughout our global operations.

Our office in Singapore is the headquarters for the CSR ethos and sustainability discussions. I am connected with all the CSR champions in all our 44 hotels globally, through teleconferencing and Skype. These are Vice-Presidents/heads of operations, as well as operators on the ground for daily work – guest relations, marketing, and so on. Nevertheless, they are all imbued with the sustainability ethos. You need these local champions, cultivated from the ground up, to take ownership of our group's sustainability programmes.

We also have centres around the world which do sustainability programmes and training – the Banyan Tree Maldives Marine Lab, for instance [see "Banyan Tree's sustainability programmes" below]. This is how our values and culture permeate throughout our global operations.

There is also an inner circle of sustainability champions of seven key persons, who do the blueprinting for the foundation we set up [the Banyan Tree Global Foundation] that disburses support for work that we do.

Banyan Tree's sustainability programmes

As Claire Chiang explains, the values of sustainability are embedded in the way Banyan Tree operates. Here are just some examples of the numerous past and upcoming sustainability programmes that Banyan Tree run as an intrinsic part of its business:

- Each of the group's 44 hotels has to grow 2,000 trees per year.
- Banyan Tree Maldives Marine Lab, the first resort-based research facility in the Maldives, was set up in 2004.
- Banyan Tree Bintan Conservation Lab was set up in 2007 to support both marine and terrestrial research in Indonesia.
- The group runs a kindergarten in Phuket.
- An anti-plastic campaign to eliminate all single-use plastics is in the works.
 - The establishment of an elephant sanctuary is under discussion.

Q: With a group this large, there are bound to be differences. How are opposing views dealt with in Banyan Tree?

CC: There will be difference in opinions, and each of us may want to support different kinds of projects. Getting this balanced and diversified view on our projects, and allowing open communication even from our junior staff, is healthy and necessary.

If there is a project put up for our approval, we will first evaluate the impact of this project. We will also ask ourselves – what is the scalability of the venture? Who will benefit from it? What is the value-added multiplier it can create? We frame our decisions by asking all these questions on sustainability, value add, integrity. That's social entrepreneurial risk, and we have a framework for analytics, and to appraise the risk matrix. Then we all make a decision as a group.

We have also set in place management oversight by our CSR champions who can provide guidance, accountability and ensure integrity.

Q: How do you translate entrepreneurial risk-taking – which is borne of a free-wheeling spirit – into strategic intent, with all the discipline that entails?

CC: Phuket was the provenance of it all for Banyan Tree. But let me share with you another risk we took – our foray into the China market.

China was such a challenging market in the 1980s, when the country was just starting to reform. There was little in place, in terms of infrastructure and administration. It was again not the strategic intent that led us into China.

After attending a conference in Tibet once, we travelled through Lijiang, an ancient town in neighbouring Yunnan province. We met the mayor for a chat, and she told us how she wanted to preserve the local Naxi culture – basically, she wanted to keep the town as it was, but inject a lot more sophistication for visitors. She needed guidance to transform the town. She was courting some of the major hotel chains to set up shop in Lijiang, but then realised Banyan Tree was a more suitable brand – a smaller scale company with special consciousness for the environment and cultural heritage.

Now, at that time, US\$40 was the average daily room rate for a Lijiang hotel. That was average

annual salary locally then. However, for Banyan Tree, we would have needed a rate of US\$400 to deliver our brand of services. We couldn't respond to the market. All the risk matrices and SWOT analyses we did told us that this investment was impossible, but we still loved Lijiang.

With our guts and passion, we decided to lead the market in Lijiang at US\$400. We still had to do our calculus of risk, of course. We had to ask ourselves – how much money could we afford to lose, in order to lead the market in Lijiang? How much were we willing to lose? That's entrepreneurial risk – knowing our risk appetite and then taking a calculated risk.

We acquired the land at a reasonably good price. We asked for the local government's blueprint for the development of their town, so that we can plan for the long term. And we managed to build our Lijiang venture up into a very successful hotel. It garnered an award for best luxury hotel and best spa resort in China during the 2007 China Hotel Starlight award ceremony.

Q: How can entrepreneurs lead the market, especially when they feel that their risk decisions are constrained by their limited resources?

CC: To manage the entrepreneurial impulse and instinct within your calculus of risk, and then lead the market – that's where the work lies for the entrepreneurs.

And how do you lead the market? Branding. Marketing. It is about telling the world who you are. It is not about the bricks and mortar. Rather, it is the ideas and the spirit that touch people. Our capital products are the qualities of privacy and tranquility that the Banyan Tree experience promises – not the room rate.

To lead the market, it is not just about putting up advertisements, but it involves a series of touch points with our guests. For instance, guests at our Lijiang resort often praise their

experiential journey with Banyan Tree – from the time we pick them up from the airport, to the time they were greeted at the resort, to the time they lie on their bed with the majestic view of the Jade Dragon Snow Mountain.

It is through these details that we differentiate ourselves – our values, ethos, and the touch points. And we are learning continually.

So the entrepreneur who intends to do all these must first be convinced that they want to do it, and then walk through all the steps.

Q: What lessons would you share with aspiring entrepreneurs in terms of growing enterprises in the context of taking risks, or opportunities to form a good risk culture?

CC: We should differentiate between startups and ongoing entrepreneurs.

For startups, if you start the business when you are young, I will say – go for it. You should give yourself three years. You will need a lot of work, effort and thoughts on the steps and processes you are going to take. And you will need a team. With several minds thinking together, you will be able to foresee all the corners and cracks in your entrepreneurial journey. At the back of your mind, if you are confident that you have the capital, and with the gut and passion, just go for it. But you must be prepared to lose that money.

For ongoing entrepreneurs, the biggest threat is distraction. You have to ask yourself whether each new proposal you receive is aligned with your core business, or whether it adds value to your core business. Another level of distraction relates to management. A management team often oversees numerous things going on in the company, yet its time and resources are finite. If your attention is no longer there, that is when things might start to go wrong.

It doesn't mean that ongoing entrepreneurs should not *diversify* their business. But you would certainly need a good research and development (R&D) team to survey the market first.



Chow Kam Wing
Executive Director and
Chief Financial Officer,
Micro-Mechanics Holdings

Mitigating risks through scenario planning

“Scenario planning analysis is used to mitigate the risks involved in our major decisions. We will take into consideration risks, list down the risk elements and other issues such as business expansion and investments.

“For example, we had foreseen China to be a big market for semiconductor, before our business

expanded to that region. On the other hand, we also felt it was a higher risk investment. After listing down the risk elements and issues, we decided to choose a location with a reliable and efficient electricity system, rather than a location with the lowest cost. Our factory was set up in Suzhou, after we had built the customer base in China. We managed to break even in the second year and achieved 100% return in the fourth year on this investment.”



Michael Dean
Audit Committee Chair and
Risk Management Committee Chair,
Delfi Limited

Ownership and management: East and West

“Delfi is family-controlled, but SGX mainboard-listed. Some aspects of the business culture are family-oriented, while others are not. One of the criticisms of businesses in the West is that ownership and management are divorced. And that is where many high profile corporate failures have occurred. Companies such as Enron, where management was given the opportunity to prioritise its own interests. In family-controlled companies, you can seek to get the best of both worlds. Our employees are imbued with a strong sense of what is our shared mission and vision. As a result, we have extremely low employee turnover. Nevertheless, as a listed company, we

maintain the appropriate corporate governance standards expected of a listed company.

“Advancement at Delfi is a talent-driven process. There are family members employed in the company but there isn’t a bias towards family members. Employees who have the potential to take leadership roles will be brought through the ranks.

Audit Committees and Risk Committees

“There is a presumption among a number of our listed peers that the best people to handle risk management is the Audit Committee (AC) – I vehemently disagree with that. That is

probably the most short-sighted approach to risk management I have ever encountered.

“While I am happy to chair both the AC and the Risk Management Committee at Delfi, the composition of those two committees is a very different. This reflects the fact that the nature of the responsibilities and risks are very different. The AC is a subset of the risk management process, not the other way around. Accountants and other financial experts are well suited as AC members, given the need for AC’s having

financial management expertise. However, a risk management committee also needs to consider non-financial risks, for example, health and safety both in our food products and our manufacturing facilities, or supply chain management, or brand management. Therefore, other specialists need to be included in the risk management function. Risk management should not be considered a box-ticking committee. So Delfi has always had a pan-dimensional risk management culture reflecting what we feel are the key issues within our risk universe.”



Lawrence Leow
Executive Chairman,
Crescendas Group

Know your contracts

“Much of the risks we face, especially in the property sector, relates to contractual obligations. If we are not careful, we could be exposed to liabilities. If one doesn’t go deep enough into understanding the transaction, one may end up on the wrong side of a contract.

“Business owners must know the rules and regulations impacting the ecosystem, especially the legal system, in Singapore and overseas. It is important to know what you are getting into.

There must be clear understanding of your rights and obligations to protect your investments. You must have this sense.

“I ensure compliance by consulting with reputable and knowledgeable lawyers and consultants. To many SMEs, this is a cost. But to me this is money well spent because it will cost many times more to resolve a dispute if the rights and obligations of the parties to a contract are not clearly set out.

“A good contract is therefore the best form of protection against such risks.”



Kelvin Lim
Executive Chairman and
Group Managing Director,
LHN Group

Knowing the risks of our business

“Our company’s vision is about creating a productive environment. It is about our business and what is being practised. Our vision and mission are part of middle management’s day-to-day job. It also applies to all our employees managing space. No real estate space is left empty

or wasted. It should be productively employed. Our managers run it in a prudent manner, which is also one of our core values.

“There is no formal risk appetite statement [for our company], but we know the risks associated with the three pillars of our business – space optimisation, facilities management, and logistics.”



Tan Kai Hoe

Biography

In course of his career, Tan Kai Hoe has been in the military (Chief of Staff – Naval Staff), the public sector (Chief Executive, SPRING Singapore), as well as served on the boards of various companies and not-for-profit organisations. He is currently President and CEO of Accuron Technologies. His views here do not represent any of the organisations with which he has been affiliated.

There are two main thoughts I would like to share on the topic of risk culture.

Firstly, in the debate on ‘form’ versus ‘substance’ on the issue of good governance, I definitely think that substance is more important. One can create committees to keep a check on organisational risks. But if the right values are not there, or if the culture in the organisation allows the boss to override the structures for his own gain, then whatever ‘form’ of structures and processes would be just a farce.

For instance, the grooming of people with the correct values system is a critical part of the

military, where I began my career. The military’s structure is as such because there is a low tolerance for anything wrong to happen, given the high stakes attached to national security.

But this is not to diminish the importance of ‘form’ to keep risks in check. I see the value of having good governance structures and processes as a safeguard against human failures or failings.

Secondly, standing still – not doing anything – is also a risk. One may enjoy good business for, say, ten years. But what happens after that, if business models change as a result of global forces? By standing still and not taking ‘additional risks’, we

run the risk of becoming irrelevant one day, when we realise that we have no competitive advantage over others in the market.

In my current role, I view it as my responsibility to identify trends and threats to my area of business, and find out how to mitigate them. I may try to invest in two to three related but new areas, partly

as a form of hedging. To manage risk, whenever I explore new areas of investment, I try to find some synergy - what I can do for them, as well as what they can do for me. Also, I feel that taking a longer-term view and making adjustments to the business in good time reduces the need to make abrupt changes, which can be deleterious in the mid- to long term.



Kelvin Tan
Independent Director/
Audit Committee Chair of listed companies

Communicating our mission

“Our formal mission, vision and values statement is more about our strategic intent. Viking Offshore and Marine Limited was formerly a different company. After an asset injection, it moved into the offshore and marine sector. There was hence a need to tell the world that Viking was now a different type of company, so having the mission and vision statement was important

in this regard. We communicated it well with our leadership team and middle management and they are very clear about it.

“When management presents project or transaction proposals to us for evaluation, the functional benefits, risks involved, as well as proposed ways to mitigate and address each of the risks, will usually be included. The Board will probe them further through questions and highlight differing views if any.”



Stanley Yeo
Founder and Group CEO,
ZACD Group

Accountability to investors, empowerment for employees

“Our mission and vision statements are about people, processes and systems. Our company is a real estate and wealth management firm which provides investment opportunities and property consultation services. Therefore, people are our assets.

“We have transformed from an SME to a regional investment strategist with a Capital Market Services license for fund management. As our company grows, we need to have processes to achieve growth in a disciplined manner, and for

accountability to our investors. My employees are empowered to implement the transformation plan, set a direction and manage the risks.

“We have gathered feedback from various parties and taken that into consideration in transforming the whole company in terms of relooking our journey, processes and execution profiles. I told the management team that it is not what I want, not what they want, but it is what the investors want.

“At the end of the day, it is the bottom line that we will present to them. We empower our employees and make them responsible for what they think the future will be. We must allow failure and, at the same time, manage and diversify risks, by not putting all our eggs in one basket.”

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The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with over 232,000 members and students operating in 177 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders. Professionalism and ethics are at the core of CIMA's activities with every member and student bound by robust standards so that integrity, expertise and vision are brought together.

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Risk Culture

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