



Smart decisions. Lasting value.

Leadership in uncertain volatile times

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World Economic Forum – Global Perceptions survey

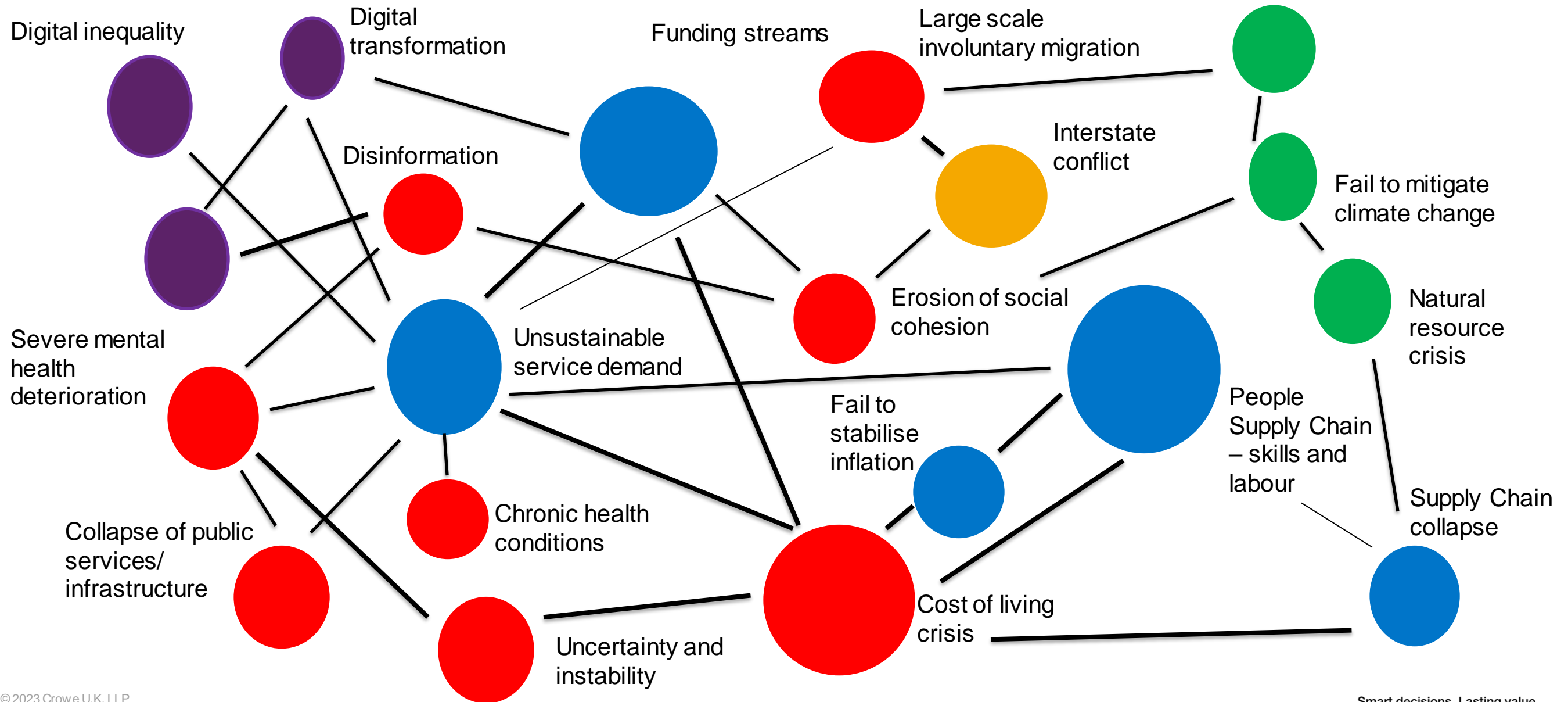


Short term (0-2 years)	Long term (10 year horizon)
Cost of living crisis	Failure to mitigate climate change
Natural disasters and extreme weather events	Failure of climate change adaptation
Geo-economic confrontation	Natural disasters and extreme weather events
Failure to mitigate climate change	Biodiversity and ecosystem collapse
Erosion of social cohesion and societal polarisation	Large scale involuntary migration
Large scale environmental damage incidents	Natural resource crises
Failure of climate change adaption	Erosion of social cohesion and societal polarisation
Widespread cybercrime and cyber insecurity	Widespread cybercrime and cyber insecurity
Natural resource crises	Geo-economic confrontation
Large scale involuntary migration	Large scale environmental damage incidents
Debt crisis	Misinformation and disinformation
Failure to stabilise price trajectories	Ineffectiveness of multilateral institutions and international cooperation

Risk categories

■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Non Profit sector – Interconnections map (WEF adapted)



Crowe Risk webinar responses – Top 3 risks

January 2023



Risk Category	Next 0-2 years	10 year period	Change
Funding sustainability	52	66	+14
Retention of key staff	42	27	-15
Cost of living crisis	37	6	-31
Cyber and Data Security	35	25	-10
Recruitment	23	8	-15
Macroeconomic and political uncertainty	22	31	+9
Organisational culture	17	15	-2
Financial risks (treasury/ cash flow)	13	6	-7
Staff wellbeing	13	10	-3
Digitalisation, disruptive technology and innovation	13	22	+9
Environment and climate change	3	28	+25

What are the priorities in these volatile uncertain times?



Building resilience



Being prudent and bold



Using existing strengths to transform



Capturing and exploiting the full value of digital and technological transformation

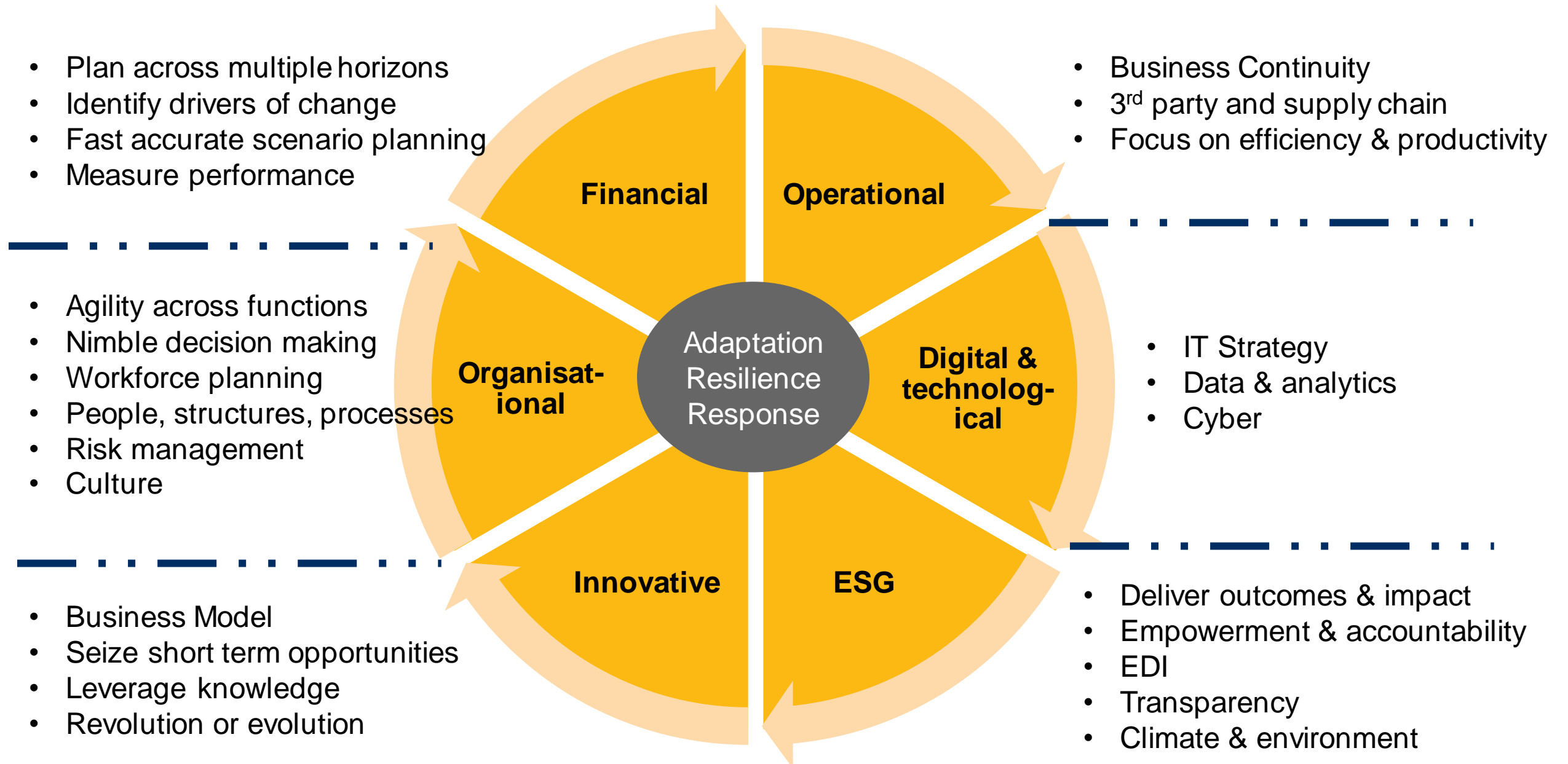


Embedding ESG



Re-thinking and re-building the employee experience

Dimensions of resilient response



Five Golden Rules

for extracting value from operational resilience



Focus on streamlining and formalising your operating model within which operational resilience takes place, including improving the quality of data and using technology to enhance the efficiency of approaches.



Increase your internal and external collaboration to enhance understanding and the ability to respond effectively to disruption.



Enhance your operational resilience and change management approaches to aid in decision-making and support the delivery of your strategic objectives.

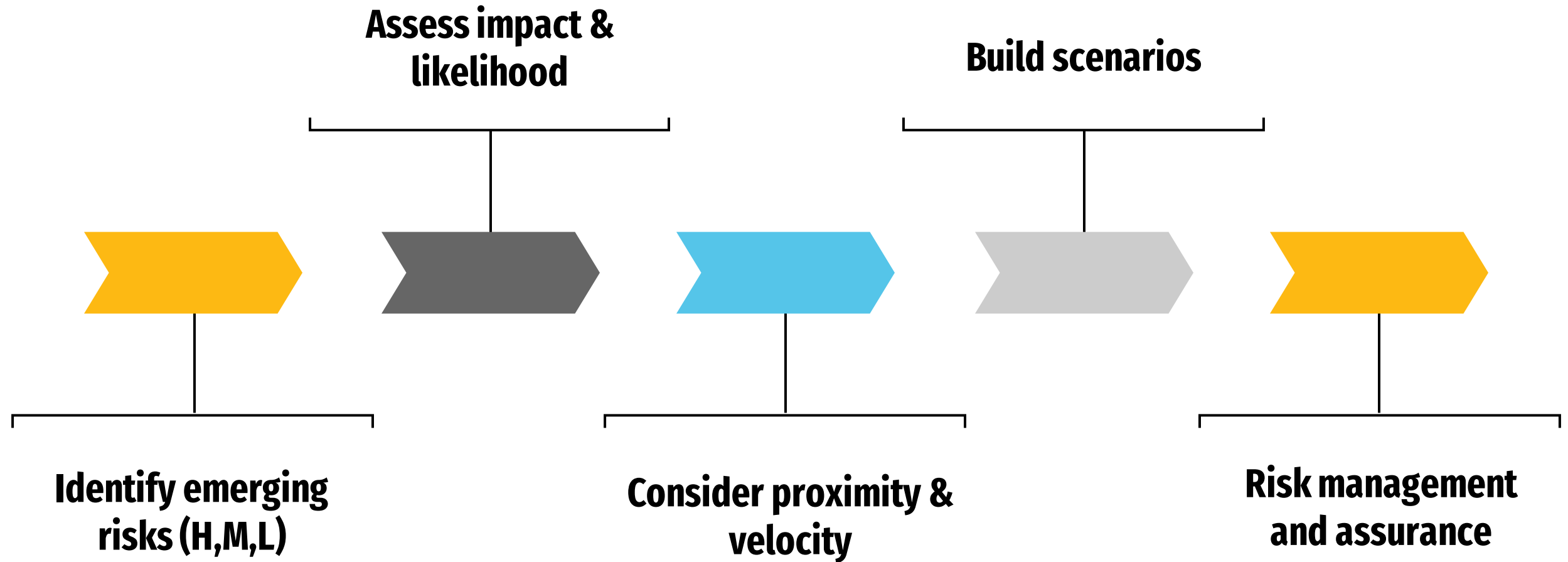


Co-ordinate and streamline your operational risk and resilience approaches in order to increase the effectiveness and efficiency of risk-taking, management, and response.

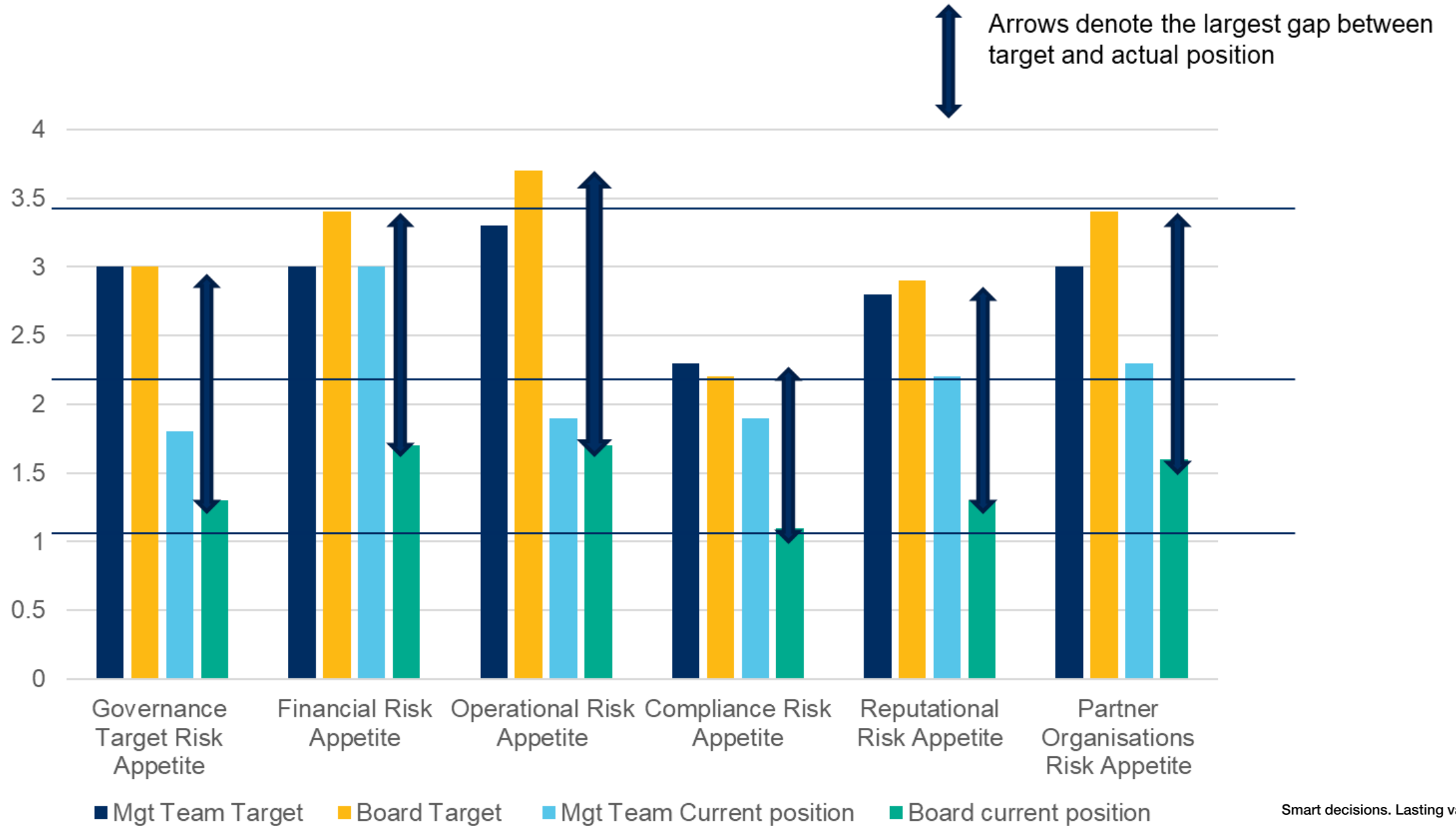


Make sure your operational resilience approaches are really testing and helping you to build strength and resilience.

Emerging risk assessment



Risk Appetite Summary Assessments - Example

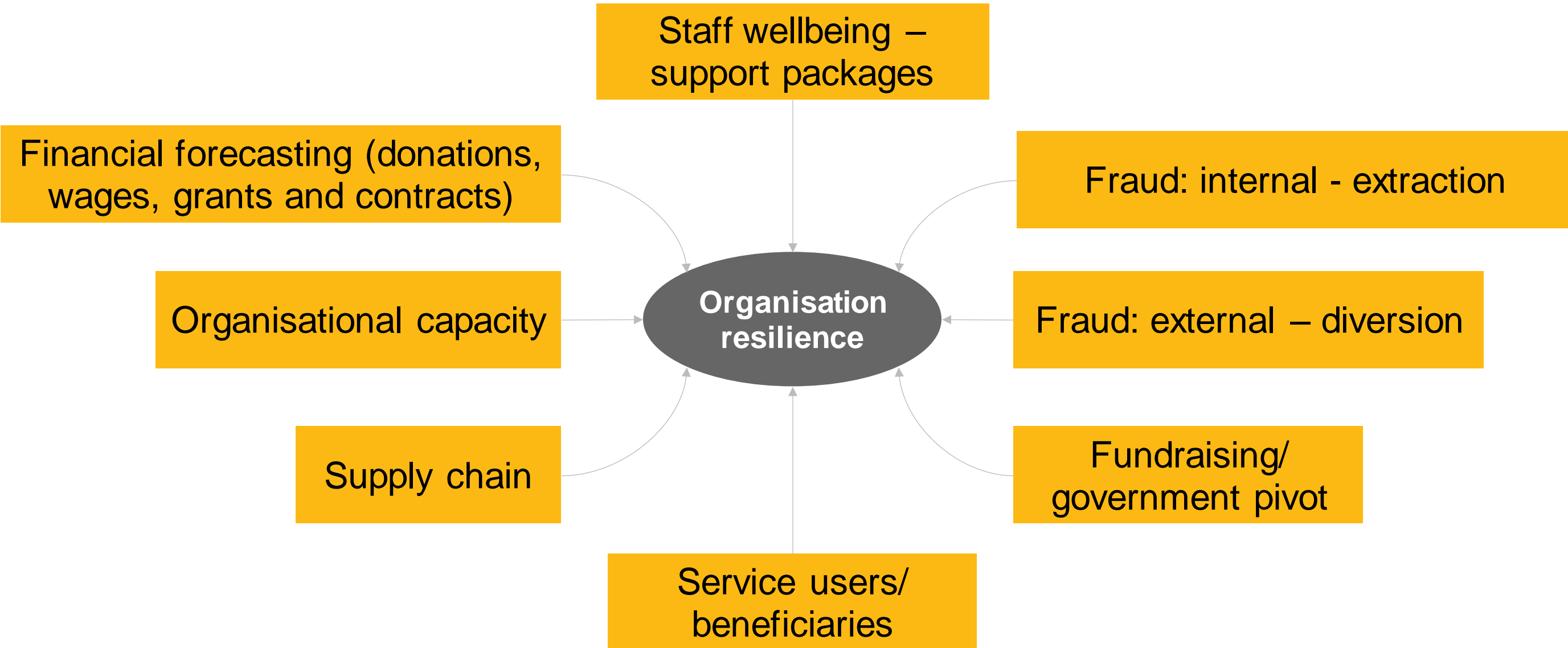


Corporate risk summary with risk velocity - example



Risk level	Risk definition			Overall Inherent Risk Exposure (IRE)	RRE after mitigating actions	Appetite (H=risk seeking, L=low risk appetite)	Risk Exposure (RRE v appetite)	Further mitigating actions to manage residual exposure	RRE 6 month trend (unchanged unless indicated)	Risk velocity
	Ref	Risk name	Definition/ Impact of risk (see tabs for extra detail)							
Top	1	Cashflow	Risk that inadequate cash reserves limit/restrict ability to operate and grow the business	H	L	Medium	Managed			Rapid - Impact of the risk would be evident in a quarter
Top	2	Fiduciary management	Risk of mishandling of client/programme funds through eg fraud, leakage, use of proscribed organisation)	M	M	Medium	Managed			Rapid - Impact of the risk would be evident in a quarter
Top	3	Staff Safety & Security	Risk that staff are in physical danger or that their well being is detrimentally affected leading to loss of life, loss of productivity or employability attractiveness	H	M	Medium	Managed			Very rapid - Impact of the risk would be evident in a month

Example: Economic – Compound Risk

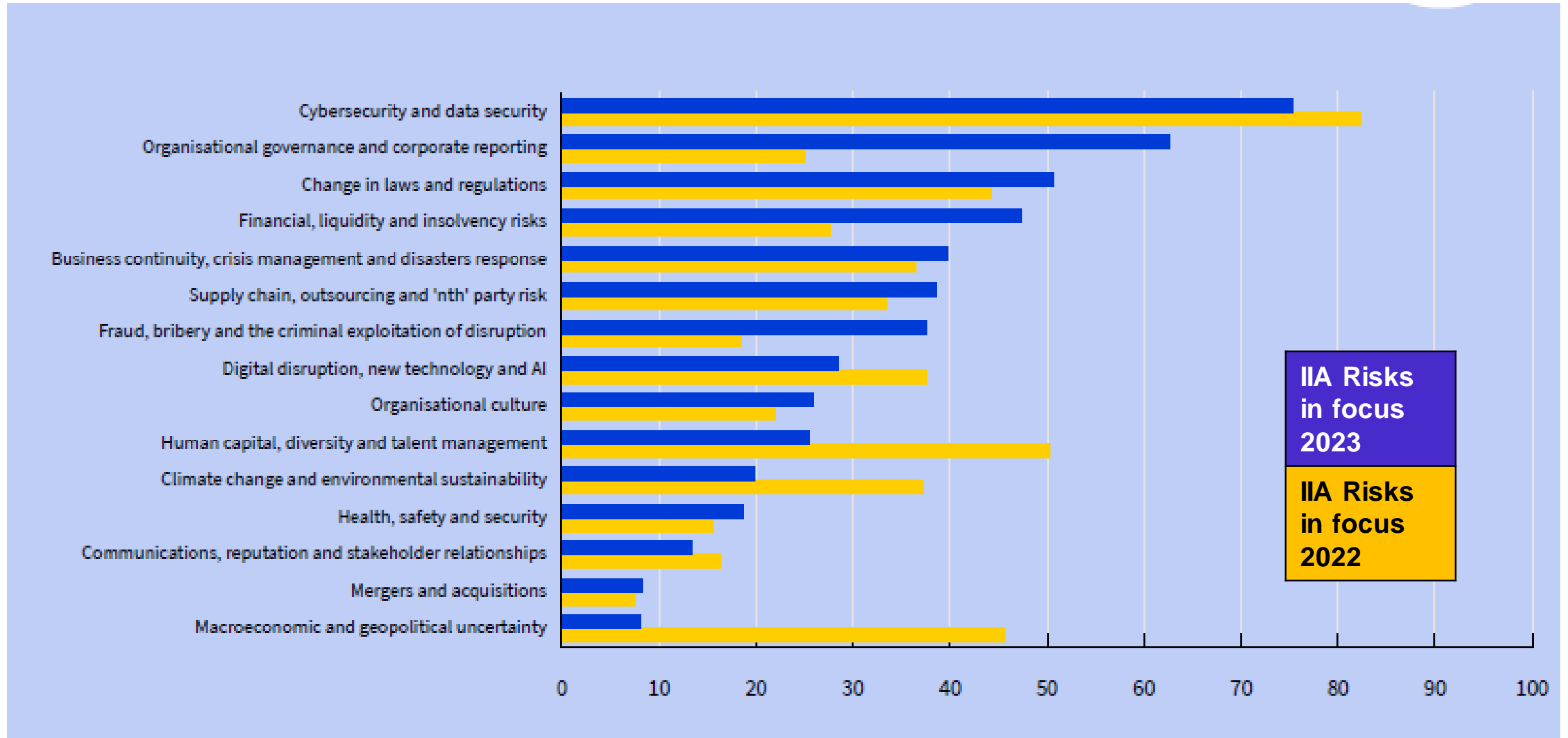


Leadership in uncertain times



- » Decentralised decision making by empowered teams.
- » Move from command to collaboration.
- » Create a continuous feedback loop.
- » Link strategy to talent management plan.
- » Adaptable leaders who challenge biases and embrace uncertainty.
- » Support diversity and inclusion.

Where internal auditors spend their time



But what about?...



How should the role of assurance change?

01

Need to elevate the role and remit of internal audit or other assurance activities.

02

Move away from routine compliance and assurance activities.

03

Balance assurance role with advisory and forward looking/proactive identification and risk assurance?

04

Has internal audit or other assurance activity and governance been outpaced by the rate of change in risk?

Charities are addressing a number of questions



- **What structure is fit for purpose?**
- **Where should the Board's focus be?**
- **Does the hybrid way of working work? How do working practices need to change? What cultural aspects do we need to consider?**
- **How do governance roles at different levels relate to each other?**
- **What does effective decision making look like? What should be delegated or owned?**
- **How can the individuals representing different areas feel engaged and contribute to success?**
- **How do we prevent, detect and respond to fraud and error?**
- **What is the impact of having different stakeholders and accountabilities at each level?**
- **What communication and information sharing is needed?**
- **What is the impact of laws and regulations and what are the compromises that may be needed to address them?**

Decision making in this environment

Information Flow & Overload

Keep the information flowing
Filtering – critical thinking
Volume of information for key meetings – **particularly given timing of decisions and meetings**
Quality, not quantity
“Fake news” – taking written word at face value

Experience – relevant but not narrow

One area but deep experience
Exposed by external crisis
Diversity in leadership
Need for short term resource?

Detachment

Understand and address biases
Role playing and scenarios, take different perspectives
Consider the radical – how can we deliver our objectives?



Diversity not validation

Obligation to dissent
Work to “disconfirm belief”

Question the solution set offered

One good, one bad
Are scenarios flexible and fluid enough?
Do they need revising?
Challenge poorly presented information
Consider the radical

How to execute

Assess risk of implementation
“Pre-mortem” discussion
Needs to be live and actioned

Governance and decision making



Is there a clear process for strategic and operational decision making?

Is there a clear balance between empowerment and accountability?

How has this changed during the period?

Can risks and assumptions in decision making be audited?

Is there a clear audit trail that can demonstrate the considerations when critical decisions have been made?

What lessons have been learnt?

Has the Executive team and the Board received sufficient information to make effective decisions? Operation of key executive and non-executive committees, include support and engagement for meetings and decisions.

How has the strategy adapted to consider a range of scenarios?

Is decision making still nimble enough to respond to emerging situations?

What data is being presented to support the decision making and is this subject to independent challenge and review?

Structures, operations, business models & ways of working



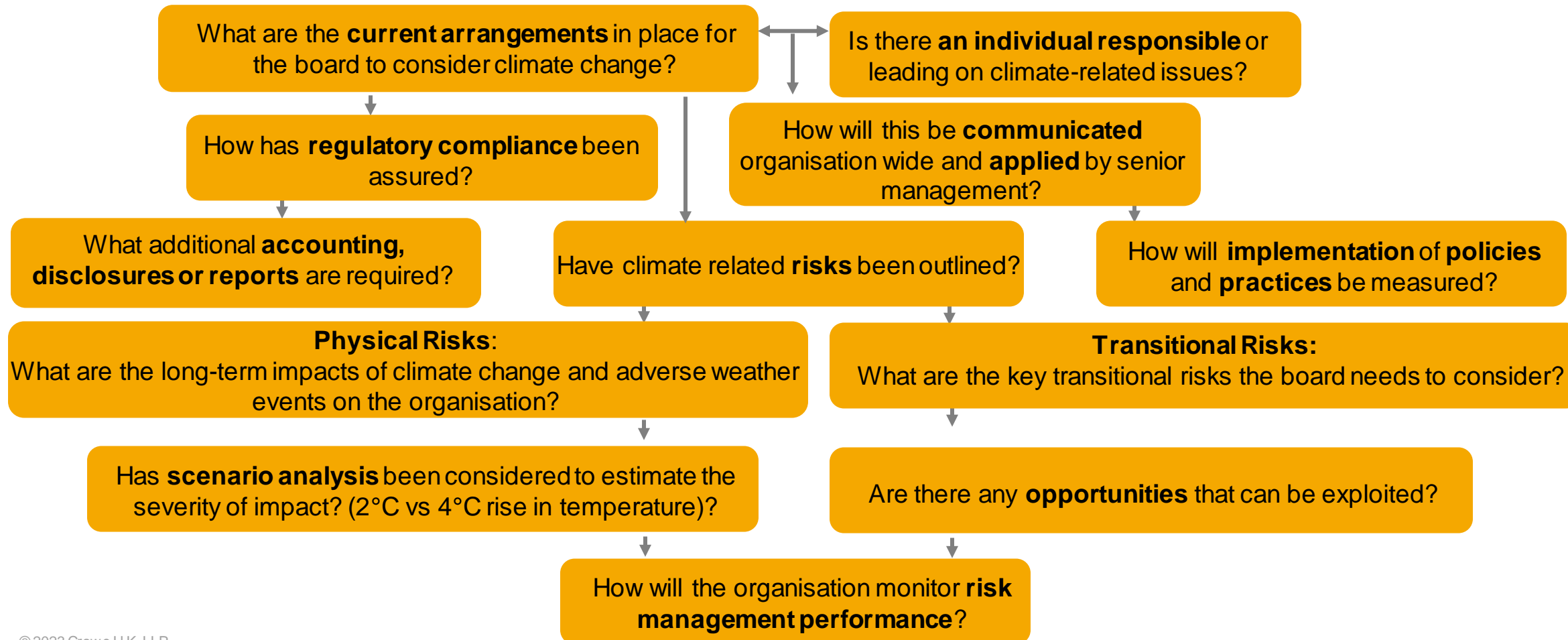
- Go back to basics - What is our mission? What are our activities? Are these clear and focused?
- Are the ways of doing things fit for purpose?
- What are the complexities and unnecessary activities that we have allowed to flourish?
- Improving efficiency and productivity will be critical and will require real focus
- Take a good hard look at the fundamental business model
- Are our ways of working fit for purpose? How do we recruit and retain talent?
- Have performance metrics been defined/redefined?

Ways of working & how we do things have necessarily changed and will continue to evolve. The question is are leaders acting as catalysts for change when it is needed? Are they ready to take difficult decisions?

Climate change

What governance arrangements should be in place?

Taking steps to consider climate related risks by boards is a complex network of interlinked tasks. The first step is to bring climate reporting on to the agenda, from there roles and responsibilities can be designated, risks highlighted and performance measured.

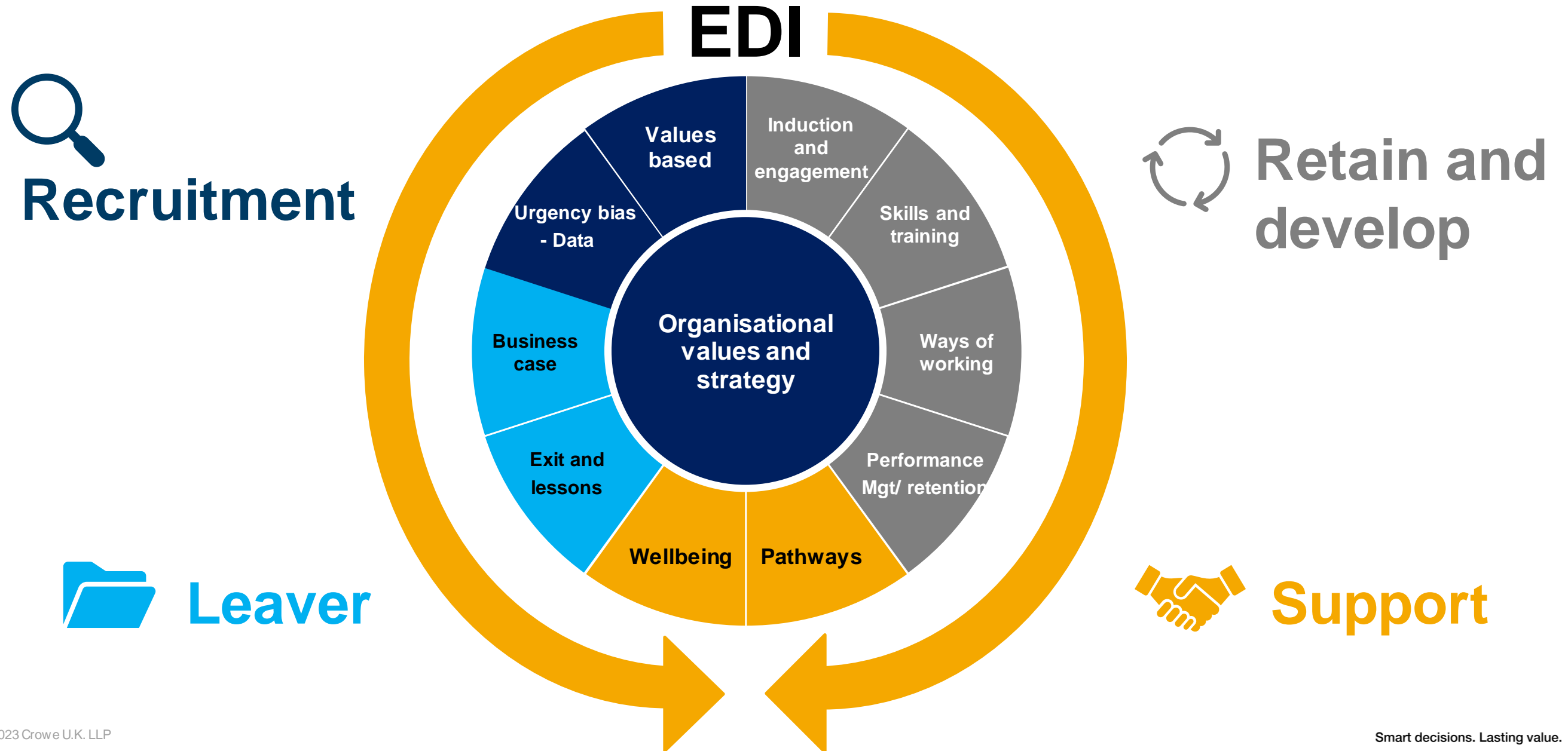


Crowe UK:

- [Climate change](#)
- [Streamlined energy and carbon reporting](#)
- [ESG strategy for Social Purpose and Non Profit organisations](#)

NAO's Good Practice Guide on [Climate Change Risk for Audit and Risk Committees](#)

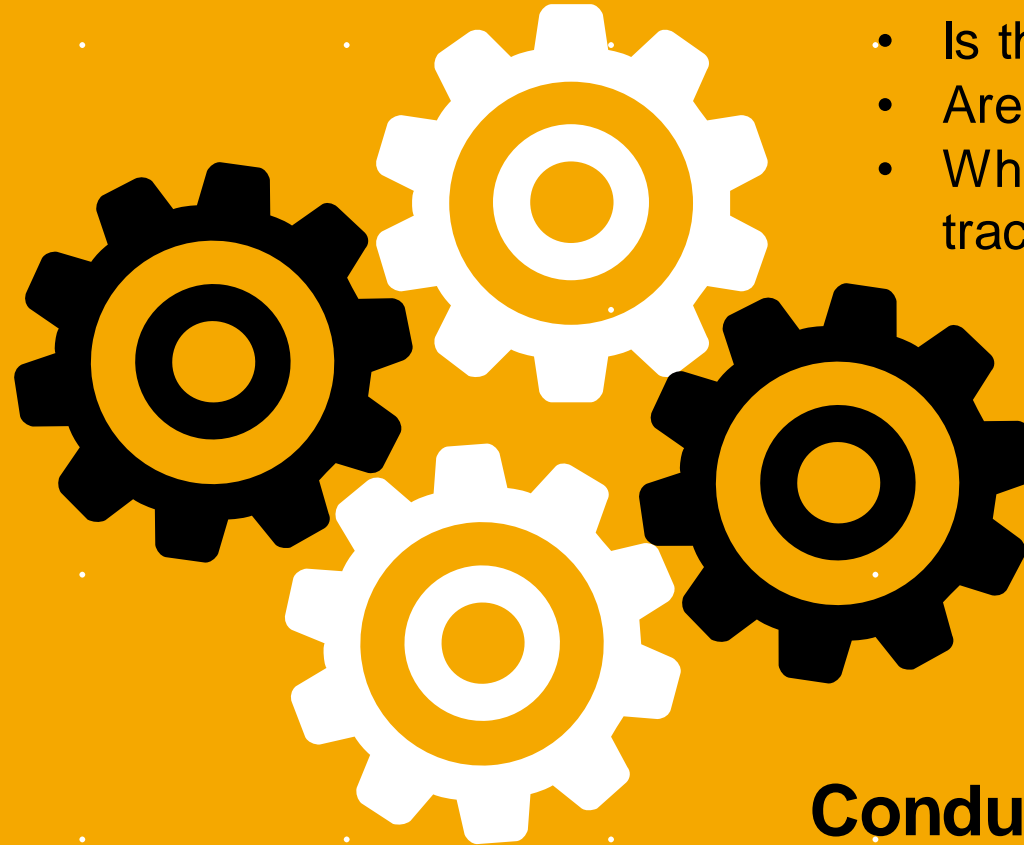
Human capital, diversity and talent



Culture and conduct risk

Raising issues

- How are issues recognised and raised?
- Communication across the organisation/ use of different media.



Lessons learnt

- How are these understood and applied?
- Embedding change across the organisation.

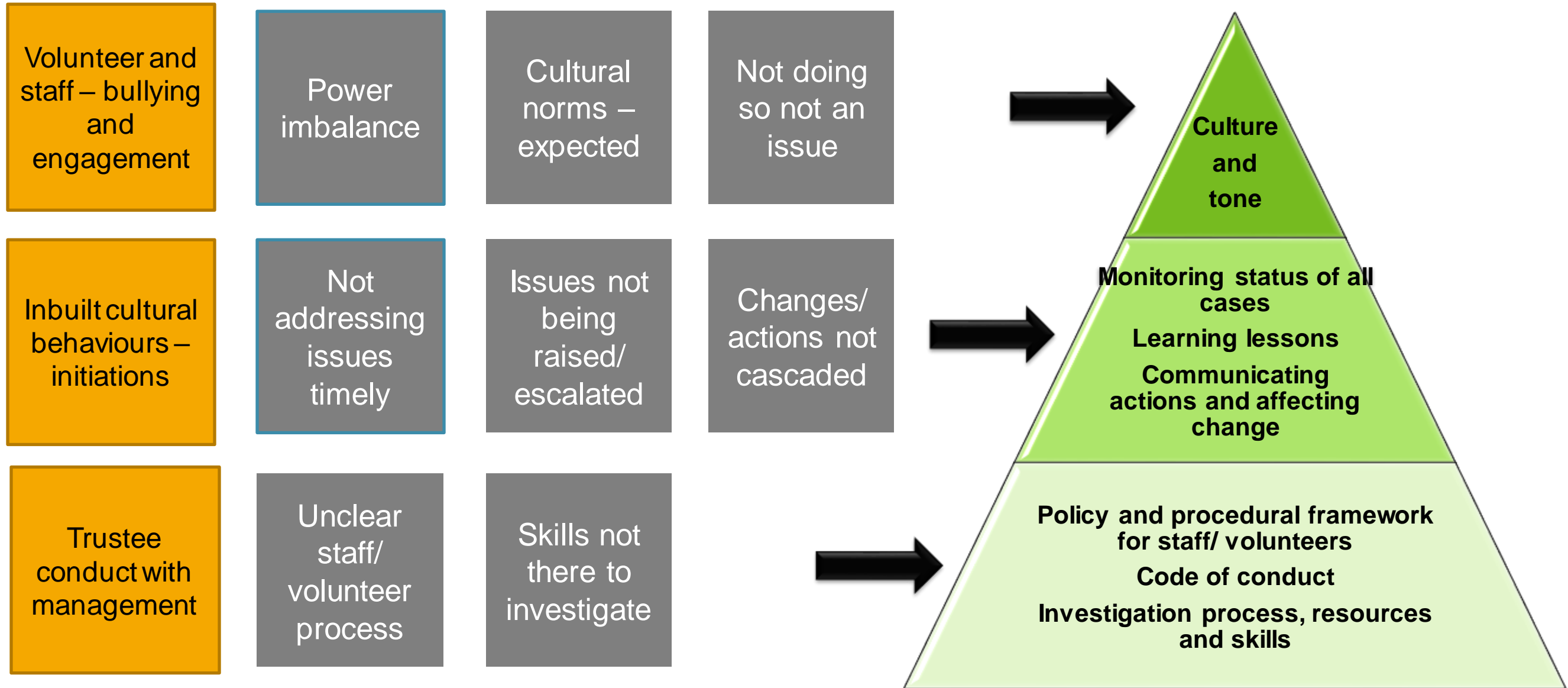
Investigation

- Is the process clear?
- Are skillsets in place to investigate?
- When actions agreed, how are these tracked to completion?

Conduct

Is this defined for staff/ volunteers?
How are standards set and communicated?
Calling out behaviours.

Redacted case studies and indicators



Third parties

Have you introduced enhanced and gateway assurance regarding critical procurement activity, particularly given the potential for increased use of single source procurement activity?

Is there a process to review contractual clauses and associated insurance, particularly for scheduled events and activities.

Is there assurance regarding contractual compliance:

- Contract terms and conditions compliance
- Payments
- Ethical sourcing
- Data protection
- Cyber risks

Is there a clear understanding of supply chain risks?

Is there assurance regarding the risks to service delivery?

Have key suppliers been identified and have you reassessed financial and operational due diligence processes?

Final thoughts



- 1 Do we have a process for identifying emerging risks?
- 2 Have we considered impact/likelihood, proximity/velocity?
- 3 Have we assessed compound risks?
- 4 How quickly is information shared across the organisation?
- 5 Do we have the right data to support decisions?
- 6 Do we need changes to structures, processes, operations and ways of working?
- 7 Have we linked our strategy to plan to talent?



Thank you.

We look forward to seeing you at our next session.



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