Webinar Transcript

The Governance Grey Zone:
Strategy and Risk

Hi, everybody. Welcome to our webinar today titled the governance gray zone strategy.

My name is Sean McDonald,

and I shall be your moderator in the background for the next forty odd minutes.

Firstly, though, thanks for attending today. We always appreciate the effort you make to be here for our live webinar events.

During the session, if you have any questions, please try and use the, q and a button on your toolbar as against chat because it just enables us to keep a track of everything.

And finally, if you stay through till the end, which, of course, we hope you will do and as is customary for our webinars, we have special treat for you. By answering our really short one minute survey at the end of the webinar, you'll go into the drawers of when our beautiful gift hamper worth four hundred odd dollars.

Now for those who are not too familiar with BoardPro, we are a board software provider sometimes called a board portal, and we serve just over thirty five thousand users across about thirty eight different countries these days.

And we help or we enable organizations to prepare for and run their board meetings more efficiently and effectively with clever software, deliver more impact and value for the organization. And as as much as we are a board software provider, part of our wider mission is to make the fundamentals of governance free and easy to implement for all organizations, especially those organizations with resource constraints.

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And these webinars also that we host are a great way of accessing really good governance knowledge without the time commitment and cost associated with in person events.

So for the next forty odd minutes, just sit back and relax and listen to the discussion and ask as many questions as you would like.

The full recording of the webinar along with the slide deck and transcript will be sent to you tomorrow.

So without further ado, I'm going to have our team introduce themselves starting firstly with, Miranda v. Flurry.

Thanks, Sean.

So my name is Miranda, and I own Hawkeye Strategies, which is a governance consulting firm. We work with organizations around the world, particularly boards and executives, and help with things like strategic planning to enterprise risk management support, CEO succession, CEO recruiting, a whole number of different pieces. And, my team and I also love giving, education webinars to directors, which is one of the reasons why I'm here today. So I'll hand it over to Steven to introduce himself.

Thanks, Miranda. Hi, everyone. Steve Bowman here from Conscious Governance. I've been doing this for so long, dealing with boards and CEOs and senior executives, and and and, essentially, it boils down to if we understand that we're here to make the choices that create the future for the communities we serve, then we've got a good governance system that we can start putting into place. So I'm really looking forward to Miranda's take on all of this. Over to you, Ben.

Hi, everyone. I'm Ben Stevens. I'm the founder and CEO of Flipview.

We've been going for about eight eight years or so now, and we're a software platform that helps simplify, strategy planning and, risk management.

And I I guess my interest in today's webinar is one of reporting. Often, we find that there's a real disconnect between, management and boards in terms of either too much reporting or not enough, and, Flipview helps with that reporting, side of things. So I'll hand it back to you, Miranda, to, start.

Thanks, Ben. Thanks, team. Now I'll stop sharing, Miranda.

Hi.

There we go.

Okay. So I'm gonna dive in because Sean does this to me every single time, and he tells me I better be done at the forty five minute mark, and he's gonna cut me off mid sentence. So I gotta make sure that that we actually get to it where we need to go. But I wanted to just give you a super quick overview as to what it is we're gonna be covering today, and I'm really looking forward to having a conversation with Steve and Ben on the number of different topics that we have here.

So you will probably hear them interject a few times as well, and we'll get into, a really good dialogue as, some of these topics come up. But number one, we're gonna be talking about why are we even here talking about governance ambiguity. So I titled this presentation as the gray zone, and I've learned as I've given international presentations that colloquialisms don't necessarily land in every country. And so the gray zone is basically a space where you are unsure about what to do or it's ambiguous.

So that's why we're talking about governance ambiguity, is is simply because it is a very difficult topic to talk about. So we'll get into that. Number two, which is where we're gonna spend most of our time, is talking about, strategy as a governance gray zone. So, Sean has put together, some polls for you, which is awesome, and we're gonna go through.

And you're actually gonna tell us what you wanna talk about today, on the basis of some options. And then, Steve, Ben, and I will respond accordingly, and then we'll get to some takeaways.

So let's jump in. Why should we actually talk about ambiguity in governance?

And my first point here is because nobody actually wants to talk about it. So we have a number of directors in the room that tend to be conflict avoiders, and and, therefore, the act of actually bringing up something that is ambiguous, we're not entirely sure what to do about, can actually create a bit of conflict and in some cases, some some tension around the table. Now without addressing it, that conflict becomes this unproductive tension. And so what we always recommend is being able to deal with some of these things head on, where where you can. And what I will also say is many of the governance challenges which we all face as directors, require judgment rather than compliance to a regulation. So sometimes there isn't necessarily a simple checklist that you have to go through, and something like strategy is not a simple checklist. There is room to be a for interpretation, and so we're gonna talk about where some of that room is or that gray zone that exists.

And so before we actually talk about this gray zone of strategy or this ambiguous area of strategy, I wanna first start off by highlighting the context matters.

Complexity specifically for each of your respective organizations in which you're governing makes a significant difference.

And so what I mean by that is when we get to asking some questions later, an answer that you might have might be appropriate for your organization, which could be completely wrong for somebody else's organization given the context. So let me explain. So the first piece here is your internal complexity.

So think about the capabilities and capacity within your executive teams, within the board itself. Think about even the governance maturity of your organization is gonna dictate how you think about what your role is in strategy and where the board actually plays in that space. The same thing applies to number two, which is your external stakeholder complexity.

And so these are pieces where you're thinking about maybe, you might be in a regulated industry, and so your regulator is gonna have an influence on it. You might have, shareholder activists that you're dealing with, environmental concerns. All of these external stakeholders are going to influence the way in which you're responding to this particular gray zone in governance.

And number three is the economic and political complexity.

And I don't need to stand here and tell you how complex the world is getting. You already know if you read any headline to begin with. But what I will say is you might be exposed to particular economic or political complexities that your organization faces that others may not. So maybe it's by a city or by, a state or a province, and and that could influence the way in which you respond to some of these questions. So the beauty of the of the governance gray zone is there isn't actually a wrong answer per se, but there's probably a better answer for your organization.

And so just recognizing that it could look different. So when you when you see Ben, Steve, and I start to debate a little bit, it's good that to have different perspectives, and you might fall in with one of us as opposed to another. So I'll throw that out there, and I'll just pause and just see if, Ben or Steve wanna chime in before I just keep going.

Just had to get a little bit. Ben, you go.

Yeah. And I was just gonna say, I mean, I think, what what makes it extremely tough as well is just the pace of change. You know?

So Yes.

Clay Christensen came out with disruptive innovation as a concept many years ago, and we're sort of on the cusp of, you know, potentially a fourth industrial revolution technology, you know, that's sort of going exponential. And and, of course, all of that's adding to, you know, adding to the speed of change and pace of change, which which makes this sort of whole process a lot more, difficult, but also, you know, rapid and and, you know, and and the need to sort of engage regularly as opposed to, you know, the cadence that that might have been appropriate twenty or thirty years ago.

Right. Yeah. Thanks, Ben. That's a really good ad. And, Steve, you're on mute if you wanna chime in.

Yeah. The big issue here that I see that, some boards are just starting to grapple with is that number two there, the external stakeholder complexity.

And what I'm starting to see is that more and more boards are starting to take a ten, fifteen, twenty year time frame around who are their stakeholders going to be as opposed to who they currently are at the moment. So that, that can actually become a great strategic advantage if the board takes carriage of the intellect and the analysis and the and the, you know, listening to the whispers of the future for some of this external stakeholder complexity as it might be in five or ten years rather than just now. So that that's adding to the gray zone, but at the same time providing, a huge potential for starting to shape the future in ways that they may not have otherwise considered.

Miranda?

Brilliant, Steve. I I agree with you on that point. I so I'm gonna move us on, and I just have a quick disclaimer for those of you in the audience. So you might actually be under, depending on the industry in which you're serving, several regulatory bodies that oversee you.

And so all I wanna say is if we say something is in the gray zone, but your regulator tells you it's not gray, you follow what your regulator's telling you. So I just I'm throwing that out there. If you're not entirely sure, I'd recommend you go back to your CEO or executive director, have a conversation with them, about that and where you need to go and seek some independent legal advice to make sure that, anything that we're talking about here is not spelled out for you by your regulator. So I'll throw that out.

Okay. So let's actually jump. And before I get to the gray part of strategy, I actually wanted to show you what's a little bit more distinct and a little bit more obvious is, is is looking at when I'm talking about strategy and performance is the board's role versus management's role, and I wanna start by looking at the strategic plan. And so the board's role, in particular, actually both of them, it's fair to say that the board and management's role is to participate in setting the strategic direction and longer term goals for the organization.

Right? That's a fair statement. How you do it is a different story, but that that is is quite clear that needs to be done. It becomes the board's responsibility to fully understand the risks associated with the proposed strategic plan, whereas it's the management's role to be able to explain, and determine what those risks are associated with the proposed strategic plan. So you can see a bit of a distinction between the two.

The board ultimately approves the strategic plan, whereas the management team will develop and execute your operating plan in order to achieve strategy. Those are also distinct, quite well known, and probably nothing new for any of you on here. I would also say when it comes to performance monitoring, it's the board's role to approve these performance metrics or a scorecard or your success metrics. There's a whole list of different ways of calling it, but basically approving it, whereas the management team is the one that's creating the metrics and making recommendations around it. The board has an oversight role of business performance and management's responsibilities to actually produce those business results.

So these are very distinct roles that are quite obvious when you think about strategy and performance.

And now what I wanna get into is I actually wanna start talking about, the gray zone in in strategy. And we're gonna start by having a full pop up, which I know Sean is gonna be doing in the background.

And and I'm actually super curious to see how people respond to this. So how much is, your board, involved in the development of of strategy? So does your board, co develop strategy with management by sitting in on a session and they actually craft ideas around the strategic goals for the business? Does your board co develop strategy by having management produce a draft of the strategic plan, and the board provides input and management refines it and brings it back to the board for approval? Does your management team develop the strategy? The board provides minimal input, and it's approved. Does your board not approve strategy, and this is done by management, or you're not sure?

So, Sean, I'm gonna rely on you just because I can't see the results, and, you can tell me when everybody's done.

Sure thing. They're just coming in at the moment.

Okay. K. So I'm I'm super excited to see what the results are from the poll and also very curious what Steve and Ben have to say about this when it comes in.

Now can you see that, Miranda?

We can. Yep. We can.

Okay. That that is a really interesting result. So we've got the majority of folks, so fifty three percent of you in the audience, have said our board co developed strategy with management by sitting in on sessions that help us craft ideas on the strategic goals for the business, and then followed, followed by having the management team produce the draft.

And and so good news is that zero, nobody actually chose our board does not approve strategy. So that makes me happy.

But, so so I have, you know, my two cents on on a reaction to that, but maybe I'll I'll come to Steve first. What what are your thoughts when you see those results, and, like, what's your knee jerk reaction?

So, with the board and the management together is, essentially, the leadership team of the organization, and that's that's a bit of a mindset people have gotta get over.

It's not an us and a them. But the true leadership team is one where the board and the senior exec work together in the areas that they should be working together in, and the development of strategy is one of them. But I've also seen it where the staff have got exceptional skills, they do scenario planning, they do some really, really good stuff, and they present the options and the risks to the board, and then the board put their their view on. That works as well too.

We do a lot of work overseas and in in particular in, the UAE and and Qatar and a few other countries, and that's where the the staff actually develop up the strategic plan, and they'll present it to the board, and the board typically will will approve it. So it depends on the culture as well too. But the thing the the main thing is that, the the the development of the strategic plan is one component, but the continuing the continual reviewing of what we've missed, what what's not working, that that that sort of, strategic conversation that goes on is the next piece, which I know you'll get into. But the the actual development of I've seen it I've seen it mixed. There's a growing trend towards board and seniors together getting, identifying what are these top three or four key things that'll eventually end up in strategies. Miranda?

Thanks, Steve. Yeah. What a great yeah. I I can't wait to respond to that, but, Ben, I'll let you go first.

Yeah. Sure. I mean, I I, you know, I think both, options work well. I I think it depends a little bit also on proximity and, you know, how close the board are to what the value proposition is and, you know, the customer needs and those sorts of things.

And sometimes, you know, if a board is, a bit disconnected, then, you know, that collaboration, I think, is really powerful and really important. You know? And that's where I've seen boards do, you know, walks through factories and sites and that sort of stuff to get closer to that customer face. And I think if the board is close, then co develop their role in co developing is is extremely powerful because they've sort of managed, I guess, to, you know, have that independent perspective, but enough of an understanding to really contribute really, really well.

I think probably what's changing what and and, you know, what, Stephen alluded to just before as well is, you know, this this process of the the sort of annual strategy plan being a thing, and, being a real focal point is shifting. With some of the companies that I've worked with, there's much more of a focus on execution.

And because of the change that I sort of alluded to earlier, things are so dynamic. So checking in regularly as opposed to having a set and forget strategy for the but checking in regularly on progress and reporting on progress is, I think, becoming, increasingly important.

Yeah. Ben, that's a that's also a really interesting point. So maybe I'll give my take on it and maybe respond to what both of you had said. And so my perspective is number one and number two, whether the board is helping to craft ideas combined with the management team or whether they are reviewing a draft and providing feedback. I think, personally, I think those two approaches are appropriate depending on your context. And so in my experience working with a number of different boards internationally, I find that the more complex and sophisticated the organization is typically has a correlation of the level of skill set that your executive team has, and I say the word typically.

And when when you've got a really sophisticated, highly capable executive team, they tend to produce a draft strategic plan. They have sessions in advance. I will host multiple sessions with executives before I go to the board, so they have something crafted for the board to look at. And oftentimes, in my experience, where you're using option number one is because the board doesn't and the executive team doesn't have the same level of complexity and or understanding or sophistication to be able to do it by themselves, So they typically do it together. And and then what you said to me was was super interesting was that, you know, if they have the skill set around the board table, then they can contribute that way. And I thought I thought that was a really neat way of looking at it. I've just found that the sophistication of the executive team really, really makes a difference.

And when it comes to number three is I often get hired by board chairs because somebody is a new board chair, and they say, I've literally had enough. We are no longer rubber stamping the strategic plan. We need to actually participate and feel like we're contributing. I don't wanna rubber stamp it anymore.

Please bring in a process that helps us, to to actually feel like we're sitting at the table as opposed to just taking the strategic plan. And so, that that's been my experience there. I don't know. Steve, did you wanna add anything to that?

No. Not really. It's it's as you say. And and, Jan's made a very interesting comment in the in the, in the question and answers on the way her board has had to develop the strategy because the staff just weren't capable.

So it's almost another option in there. And I've I've seen that a couple of times too where the where the CEO comes along.

And, I I don't think I've seen one where the CEO has been excluded, but they come along, but there's there's no real contribution there because there's no real contribution there, which is a different question that the board needs to have a look at.

Yeah. It's that's a really yeah. It's really interesting. It's it's that difference between being able to, you know, rise up to a high level and look forward. And and it's a personality thing, I think, sometimes for CEOs. Some are very, very detailed, particularly if they come from an accounting background. Often, they love the detail, and they'll get right in.

And and that's where the board's role can be incredibly powerful in in helping lift those people out of the detail, to try and see the bigger picture.

Bad. Shots fired on accountants. Okay.

I'm gonna count it myself.

So, like, you know, I've, you know, I I know I know that. I know how it works.

We love Excel, you know, and Excel is dangerous.

That's good. That's good. Okay. So why don't we jump on to our next poll, which is, actually asking the audience. So we've got three different questions, that that we wanted to potentially we could probably cover, I would say, two for sure.

Your poll is actually live now. So I'd like you to choose the question that you're most interested in hearing about. So number one, is it appropriate to ask an operational question? And if yes, describe when? Number two, what is the level of detail on progress towards a strategy that should be reported to the board and how often? And number three, what is a reasonable expectation of when the board will receive reports from management regarding deviations from the approved strategy, including material changes to risk exposure, but it's not a crisis. So we're not talking about, like, a cybersecurity incident or anything like that.

So these, by the way, are three very big topics that tend to be a bit gray.

And so let's see how people vote.

So, Sean, you can I'll let it run just a little bit longer, Miranda.

Mhmm.

Okay.

And I'm just oh, Sean, you got it?

There you go.

Awesome. Oh, Ben. You must be ecstatic. Ecstatic. I was waiting for that one. Yeah. So so we're gonna start off with number two, which is what level of detail on the progress towards the, towards strategy should be reported to the board and how often.

And so, Ben, I like, I know you were you, like, you were crossing your fingers when we were talking about this, and this is the question that's gonna come up. So maybe I'll let you take it first.

What's your thought?

Yeah. Look. You know, as I as I mentioned earlier, I think, you know, I think this is becoming increasingly, I I guess, more critical.

And, I mean, my I I'm I'm keen on on on Steve's thoughts there, but I I would have thought, quarterly, but if there's a significant deviation, and and then that that whole definition of what's significant is critical as well, you know, immediately, potentially, but, quarterly at least.

Okay. K. So so, so you're thinking about at at a quarterly level. Steve, what what are your thoughts?

So there's there's two elements to this. The first one is, every strategic plan should have for each of the elements under the start date and the finish date and then the outcome measures against those things. So therefore, the reporting becomes easier because you're not reporting against everything, you're just reporting against those things that are due to have started. So that's the first element.

It's always having in you know, they call it a strategic plan because it should actually be a plan, not just a wish list of all the things we wanna get done. So start date, finish dates, and outcome measures, and therefore, anything within that period of time, is relevant to be reported on. Now that's one element. The the other element which I think is more important is the role of the CEO's report in this.

A really good CEO's report should give you an overarching health state of the nation feel for how things are going on. And the very best CEO reports I've seen actually do provide dashboards against the key outcomes within the time frames, of the strategic plan without going into detail. So typically, the very best CEO reports I see are usually two at the very most three pages, and they can get and it's the first thing every director will go to because it gives you a snapshot, not just what it has been, but what is coming up. Yeah.

What are the emerging risks? How are we going against the key strategic outcomes that we're after?

And then there'll be some other metrics in there as well that just give you that sort of the the pulse of the nation sort of feel for it. So I think, in my view, gone are the days where you would have separate, reports against the strategic plan. I'm seeing more and more now that's embedded into the actual CEO's report as a high level overarching with more detail on this link here if you wanna see it. Miranda?

Yeah. One one thing I was just gonna say is I think, a big part for me, and and and that's sort of what we built within the platform of Flipview is this link between strategy pillars and progress.

And when I think about strategy execution, I actually think about it, and and and I'm keen on your thoughts here, but I think about it in a a fairly simple way for me. It's either, you know, making sure some sort of key initiatives or projects are undertaken that are really material to the business, and tracking progress on those projects or KPIs and OKRs.

And if you can link those to the pillars and sometimes you might prioritize one pillar. If you have another pillar, you might be in a in a a a situation, you know, if you think about the three horizons approach of, you know, getting operations sorted out before you're doing anything fancy. And so the pillars for me are quite critical, in terms of understanding where you're at because the pillar for me helps cascade down the long term to the to the operational, sort of, level.

Great. Okay. And I'll just chime in real quick here. And I think, so oftentimes and, again, it depends on the governance maturity of the organization.

I will see at minimum some sort of suite of metrics that assess a strategy.

And so in some cases, I was just working with, with a client, and I was doing, quite a bit of actually CEO compensation work. And in order to do that type of work, you have to you you have to understand what is the strategy and how are you defining success of your strategy before you can even get to incentive pay and compensation work and all of that. And and what I found was, this client in particular, they just they literally had five metrics. Four of them were financial.

One of them was a nonfinancial metric, and that's how they were defining success. And it didn't matter what was in their strategy. It was just these were the metrics that they were looking at. And I was thinking to myself, okay.

We got some work. We got some work to do, and that's that's alright. And so so to me, it's about being able to take a strategic plan that should be thorough enough that we under it's not some some cookie cutter, plan that's been put in front of the board. It is something that you're actually intending on doing.

It's very defined. And being able to, at an overarching level, look at what are the suite of whether it's you can call it metrics, key performance indicator. Like, it does a you know, whatever you'd like to call it, that that demonstrate the level of success of of the strategy itself. So, typically, starting with a scorecard, you've heard the Harvard term, the balanced scorecard, so that you're looking at just beyond the financial metrics, and you're looking at some nonfinancial metrics as well.

And then what I also typically see or maybe I don't typically see it, but would like to like to see it, is, and, Ben, I think you were you were getting after this, is there are high level strategic initiatives that you typically have in your strategic plan. And these items should have some sort of reporting attached to them. It might not necessarily be a metric. It could be something qualitative where you're just giving an update.

You're letting you're letting, you know, the board know that, you are, you know, on time. You're at, you know, whatever budget you set aside, and and things are progressing well, or maybe that's actually not the case and you're providing updates. But I think that, to me, it's not enough just to look at a suite of metrics because those metrics tend to typically be just outcome related metrics, which tend to be lagging. And so you want to be able to look at items that your management team is reporting on that might be some leading indicators of some issues that you might see down the line so that the board can determine with your executive team that you need to be able to pivot in the event something changes in your external environment.

So that's that's my sense.

Miranda, I think the the one of the the best ways I've seen this done I don't see it done very well very often. One of the best ways I've seen that done is under the heading of emerging risks. And so what they they're they're they're looking at six months, twelve months. Here are things that we're getting a whisper of at the moment, and and typically that'll occur, it should occur in the CEO's report as any emerging risks are keeping the CEO awake at night, but, you know, not just not just crisis stuff, but stuff that is actually emerging, but also through the, the risk report to the board or at the very least through the risk register where they're identifying any emerging risks and the opportunities and the strategies that might be involved with that, how that interacts with their risk appetite and how it interacts with their strategy.

The very I've gotta say the very best risk registers I've seen are much more than just a typical risk register because what they do is they not only identify what the big fellas are, but they also identify what are the big emerging risks that are coming out, and they also map it back against risk appetite, are we within our appetite, and what are the opportunities that could arise from that. So it becomes a strategic document rather than just a compliance checkbox of, yes, we've got these risks.

Right. Miranda?

Yeah. I I was just gonna add to that. I hate the term risk register because it's an old fashioned term. Do you ever hear of a strategy register?

And their flip sides are the same thing. You know? Risk and strategy are so tightly, connected and related. And, so, you know, I I sort of I kinda shy away from risk registers and try and get the companies that I've sort of been working with to focus more on actions and what they're doing to build resilience and address those risks.

And you're absolutely right, Stephen. I think when you're looking at a strategy and you're looking at working in a dynamic environment, as most of us are now, that constant reassessment of the enterprise risks is is critical. And often, I see a lot of companies focusing very much on here's the risk register. And because the word used is register, it becomes a compliance register as opposed to something that's, more dynamic and connected to the strategy.

So I often, you know, I think it's neat where I've seen companies at the end of their, you know, strategy update, if you like, you know, risks to execution, what are the risks, and what are they doing about it more more importantly?

Miranda, we have a question in from Isabelle. You wanna take that now or a little bit later?

I I see that. You know what? We're we're we're right on talking about risk registries or not having risk registries for that matter. And, so we might as well we might as well address that that question here. So when and how should a board of directors ask, does the proposed level of risk align with the board's understanding of an organization's risk appetite?

And so, would one of you like to take that first? And I'm also happy to address it as well.

Okay. I've got a very simplistic view of risk appetite. So risk appetite should tell the staff what they can bring to the board and what they shouldn't bring to the board. If we've got a high risk appetite for something, then we need to be bringing that stuff to the board.

If we've got a low risk appetite, then we only bring to the board anything that might actually, impact on us that has that low risk appetite. So, too often, risk appetites are set and forget stuff rather than dynamic ways of providing insight and focus for the staff to understand what the board really wants them to focus on. And so if you're having a a look at a a high risk appetite for something, you'd better be bringing that sort of stuff to the board. If you've got a low risk appetite for something, you wanna make sure you're not having to bring that to the board.

And and, Steve, that's such an inter it's an interesting perspective because the way that I always talk about it with boards is that, strategy and risk are inextricably linked. You cannot de apple the two of them. That being said, when I'm working with the executive teams typically in advance of going to the board, we are actually looking and rooting everything through the risk appetite statements and the risk tolerances that that exist.

And what I will say is it is sometimes an opportunity to be able to say, listen. We've done a reflection on where we're at today. We actually think we could make some recommendations around amending our risk appetite to either tighten it or to actually loosen it in certain areas. And when we go to the board, we're gonna have a conversation around that, to explain where that perspective comes from.

I appreciate your perspective when you're saying, like, those are the guardrails. Stay within it. And what I would say is be aware of the guardrails. And if you're looking to get outside of them, you need to make a formal request, and the board needs to understand where that cut where that's coming from and the implications associated with it.

And, so so that's my perspective on the on the risk appetite strategy piece.

Ben, did you wanna chime in?

Yeah. I mean, risk appetite's a really interesting one. I I'll be honest. I struggle with it a little bit.

You know, I've risk appetite sort of comes as its origins in the banking space, and I've worked with companies where they'll try and quantify the risk appetite a lot. And you sort of you you end up with risk appetite statements, and and then they sort of almost wanna in one case, it was a director that was ex banking, and and I I think it's more complex than bank covenants and and and that sort of stuff. And I I I think I think you just gotta be wary of where risk appetite as a concept came from.

I I like it as a term because I think it has a positive spin on risk because in business, we exist to take risk. And so when you're talking about appetite, for me, there's an element of we've got to take risk to move forward, whereas the traditional view on risk is, manage risk, reduce risk. So as a concept, I I I kind of I like it, but I think it's just gotta be it's it's gotta be, done well and not to you know, not a quantitative approach, if that makes sense.

Yeah. And and and, Ben, I I think that does make sense. And and what I will say, because I've well, I've worked with a lot of financial institutions, and so I'm super familiar with it from that perspective, is Yeah. It doesn't matter to me, it doesn't matter what industry you're in.

Your risk appetite should be a reflection of the inherent risks of the business in which you simply operate and being able to speak to those and where possible where you can quantify those risks through your tolerance levels. Go for it. Yeah. Oftentimes and I know this this is not a whole full blown, webinar on on risk appetite, but but you could we could sit here and define what's inherent risk, how do I look at that, and so on and so forth.

And and, Sean, maybe on another webinar, that might be a fun little a little, topic that the three of us can jump back to. But maybe what I'll do, just for the sake of time, I think we can probably squeeze in the question number three, which was the second highest rated question, before we jump to our last slide. So the question, number three is, what is a reasonable expectation of when the board will receive reports from management regarding deviations from the approved strategy, including material risk changes to, to risk exposure but not a crisis? So I I know I have a perspective on this, but maybe, Ben, if you'd like to go first, if you've got some thoughts on that question.

Yeah. Look look, I think it depends on the structure of the the, the board and the the subsidiary committees and that sort of stuff to a certain extent and how how information sort of finds its way to the chair.

And I think it depends on the nature of the event like we talked the other day. So in this case, if it's not a crisis, you know, I I I I think it's that whole balance of, you know, how bored, you know, the mushroom analogy, which we're all probably familiar with, you know, getting the balance right between that and and, you know, supplying almost too much, information to to, you know, too often.

But I think it really just depends. It just depends on the nature of the event or the exposure, and the structure of the board.

That is gray? Yeah.

Is it gray then?

It's very gray. Yeah.

Yeah.

Yeah.

Yeah. And it's personality open as well, no doubt. Right? And and and trust becomes a part of that as well. Right? And, For sure.

Steve? I would see two elements in this one. Again, I come back to the CEO's report. That should be the first that should be the canary warning system of things that may be starting to change.

And then there's the the annual review and and it's it's not a report, it's an actual conversation between the board and the senior executive that literally looks at five questions. What's worked with this strategy? What hasn't worked? What have we missed? What do we put into our strat plan because we missed it? Or what do we take out because it's either done or no longer relevant?

And then you work your way through each of those strategies. But that conversation on an annual basis can help an organization really get to understand what is changing out there, and it does so that it doesn't fall into that, you know, how do you that what what's that analogy of how do you boil a is it a frog or something where you just slowly slowly slowly turn up the heat until it's all too late?

And that's a great way of making sure you don't fall into that sort of syndrome. So I think CEOs report as the as the, the the the the canary report of, you know, here are the things that might be happening, and then the annual, review of what's worked, what hasn't, what have we missed, what do we put in, what do we take out, as a conversation between the seniors and the board itself.

And I found those two things can really help keep the board focused, but also agile.

Right?

And what what's interesting about both of your answers is you actually haven't necessarily given me a full blown time frame. And so I say that because, Steve, your response was in the CEO's report, and some some boards meet monthly, some meet every other month, some meet quarterly. Right? So it's dependent on that cadence.

And then, Ben, you were saying it's depend it's depending, so I think you've become a lawyer at this point, which is good. And and so so I I will take a stab at it. I'm just gonna throw it out there. So if it's a material change to risk exposure, but it's not necessarily a crisis, I I would say probably within a week or so.

And I think it's just more of a notification to the board chair to say, hey. This is what's going on. And an example that, you know, we've talked about and and we'll share with the audience here is, for example, let's suppose one of your initiatives is completely dependent on a partnership with a third party company, and that partnership fails for whatever reason. I think there's something about being able to share that early.

And if if the board chair makes a decision to say, you know what? I think we should share this with the entire board or help me understand it a little bit more. It helps to build, as Ben was talking about, that, like, trust and dynamic that exists between, the CEO and board chair and then eventually the CEO and and the entire board. And so I'm gonna venture to say within a week, it doesn't mean that that's that's the only way of looking at it.

And and I do think I think both of you are right, by the way, which is, again, the context of it really matters and depends what the actual situation is. And so so just for the sake of time, what I'd like to do is I wanna move on to our last slide here.

And what I wanna say is so you've got a copy of these slides, so you don't need to take notes or anything like that. But what I've done is anytime you're thinking about gray zones, I have actually put together a set of principles for your board to abide by. And number one principle here corresponds with question number one, which we actually didn't cover, number two with two, and three with three. And so so you can take you can take a read. So my answer to question number one is, yeah, basically, there are times where you can ask operational questions and where it's appropriate.

But so so the principle is, you know, your strategic questions are preferred. However, when necessary, trust but verify with operational questions. Right? So that's a principle that a board can can abide by and and think about and have a really great conversation.

When should we trust but verify? When are some of these examples? And and what I would say to that is, you know, when you're when you're running into issues, when you're getting, you know, a a lack of performance on something, that's where you start to dig in a little bit or or, like, your intuition is saying there's something wrong. Those are examples of when you would turn that on.

Number two, which which we talked about, but the, the board can explain how they will know when the strategy is off course. So those warning lights. So remember how we were just talking about the reporting of of the strategy itself, and we had a really good conversation about what that looks like? So if the board can say, I know when the strategy is off course, you are receiving the appropriate amount of reporting at the appropriate cadence.

The answer is that depends for you, and so you need to go back and think about that. So take this principle, go back and have a conversation with your governance committee or the entire board and say, do we actually know when the strategy is off course? And if the answer is no, that's a that's something you need to dive into a little bit more. And the last piece is number three, which is the risk escalation piece that we were just talking about.

Deviations from strategy creating significant risk to the business are reported within a week of trans firing. So I already know I already knew the slide coming up, so that's why I've got that there. And so it has been an absolute pleasure to be able to lead you through, the webinar talking about governance gray zone in strategy in particular. And I'm actually going to hand it back to Sean, and thank you both so much, Steve and Ben, for helping me, participate through through this today.

Thanks, Miranda. Much appreciated. So we are at the end, so please feel free to connect with our presenters today, everybody. If you'd like to be put in touch with Miranda from Hawkeye Strategies, Steven from Conscious Governance, or Ben from FlipView, please indicate your interest on the survey at the end of the webinar as you exit. And I must say, if you are considering a strategy risk project within the business at the moment, I highly recommend you have a look at, Flipview, which you'll find on flipview dot co.

So you'll receive an email from us, very shortly, which will include a copy of the recording the of the webinar today, the transcript, and the presentation slides.

So just as you leave the webinar, don't forget to complete our short survey to go into the draw for our hamper.

Thank you again for your attendance, everybody. I hope you enjoyed this session.

Thank you to the panel. Again, Miranda, Steven, and Ben for your conversation today. I look forward to seeing you again in our next webinar, everybody. Have a great day.