

Appropriate risk management is crucial for effective strategic leadership, says new report

February 28 2018, by Alan Williams



Credit: University of Plymouth

Organisations cannot exploit strategic opportunities or protect themselves from potential losses or failures, without a clear steer from the top on appropriate risk taking, according to a new report led by the University of Plymouth for the ACCA (Association of Chartered Certified Accountants).

Company boards are closely connected to effective risk management, and risk assessment, reporting and control help to enhance a board's governance and control policies, keeping organisations aligned with their objectives.

ACCA's report highlights the key challenges boards face when performing their roles, but also shines a light on current good practices across both smaller and larger organisations.

Jo Iwasaki, ACCA's head of [corporate governance](#), says:

"It is so important for the research to shed light on the existing practices. It helps us find out how effective existing measures are in raising the awareness and quality of board engagement in risk management. We can then highlight emerging good practice to promote improvement at every level. This helps us have informed conversations with people in practice, but also those who are in the position to set the framework for good risk management."

The research was commissioned in association with academics from the the University of Plymouth, University of Nottingham and Glasgow Caledonian University.

The lead researcher of the report, Dr. Simon Ashby, Associate Professor of Financial Services in the Plymouth Business School at the University of Plymouth, says:

"Time pressured boards operating in complex and dynamic environments can find it hard to place risk in a positive context. But those who do make connections between their organisation's strategy and risk management decisions can reap significant rewards. With risk comes opportunity, providing boards weigh up the risks and returns associated with different strategic options, We learned that risk management can

enhance organisational value, as well as preserve it.

"In addition to improving professional practice we hope that [policy makers](#) will take note of our report. Corporate governance regulation, such as the UK Corporate Governance Code are a major influence on board level [risk management](#) practices, we learned that mostly this influence is positive, but there can be unintended consequences. In particular policy makers need to recognise the difference between separation and segregation. Boards, and especially non-executives, need to maintain a degree of independence, but that does not mean they should be kept apart from the people within the organisation. Boards should understand and steer the culture of an organisation so that it promotes an appropriate balance between risk and control."

Dr. Cormac Bryce from Nottingham University Business School, says:

"The presence of risk diversity on a board, those skills, knowledge, expertise, education and training around risk that ensure a board remains risk intelligent is crucial to effective strategic decision making within the boardroom."

Patrick Ring, senior lecturer at Glasgow Caledonian University, says:

"This report highlights the importance of the relationship between the business strategy and risk appetite of an organisation. If a board is to take advantage of business opportunities, it must also have the range of expertise and skills to enable it to identify and manage the key risks that are likely to arise. This report should enable both executives and non-executives on boards to reflect on the risk governance and how best to integrate risk into their decision-making."

Provided by University of Plymouth

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