



In Safe Hands?

The future role and challenges of
governance and risk management

CRSA Forum

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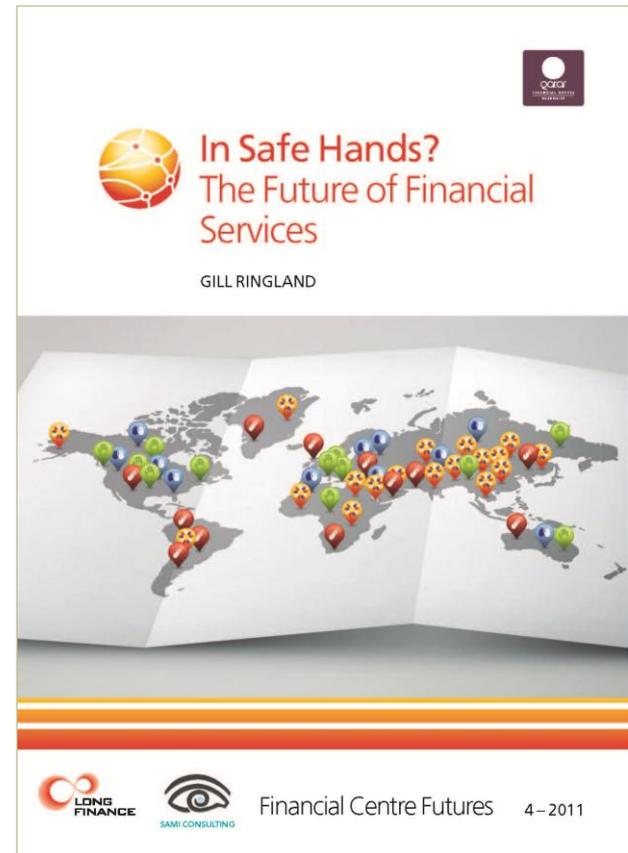
Aims of this session

- We will explore the future role and challenges for governance and risk management
 - Using scenarios that we have allowed FS, manufacturers, professional services firms and global supply chain conference to develop new insights.
- The scenarios
 - If the world order changes – for instance after a major systemic shock - what could replace it?
- Following in from the earlier discussion, we ask
 - What needs to change to make corporate governance and risk management effective in each scenario?



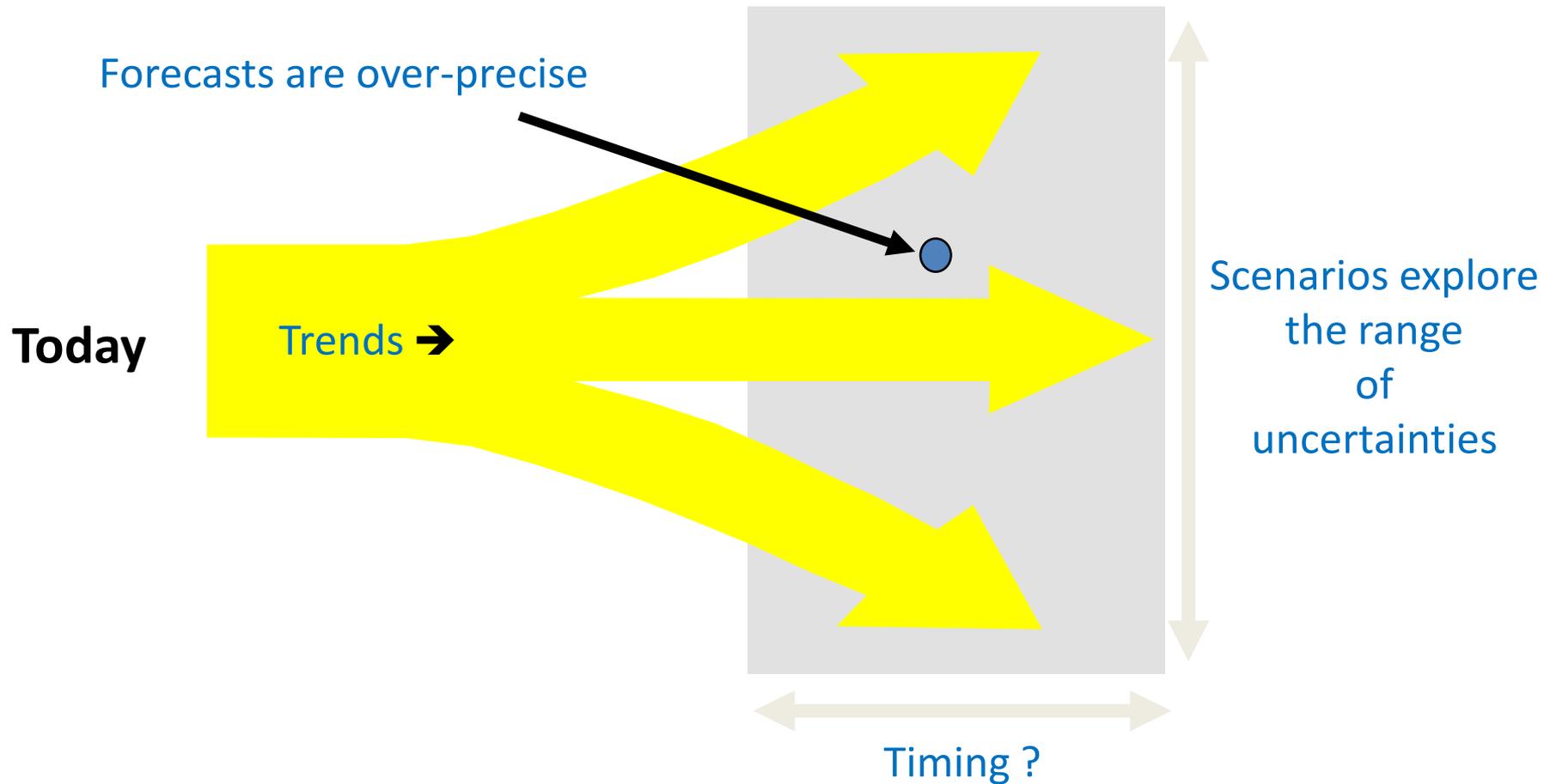
Background to the scenarios

- Project to create rounded views of the future of financial services
 - Supported by Long Finance community, www.longfinance.net
- Scenarios developed by SAMI
 - Fleshed out and tested through open events at London Guildhall and Barnard's Inn
 - Drafts of the report critiqued by Long Finance Kitchen Cabinet
- Report published in 2012



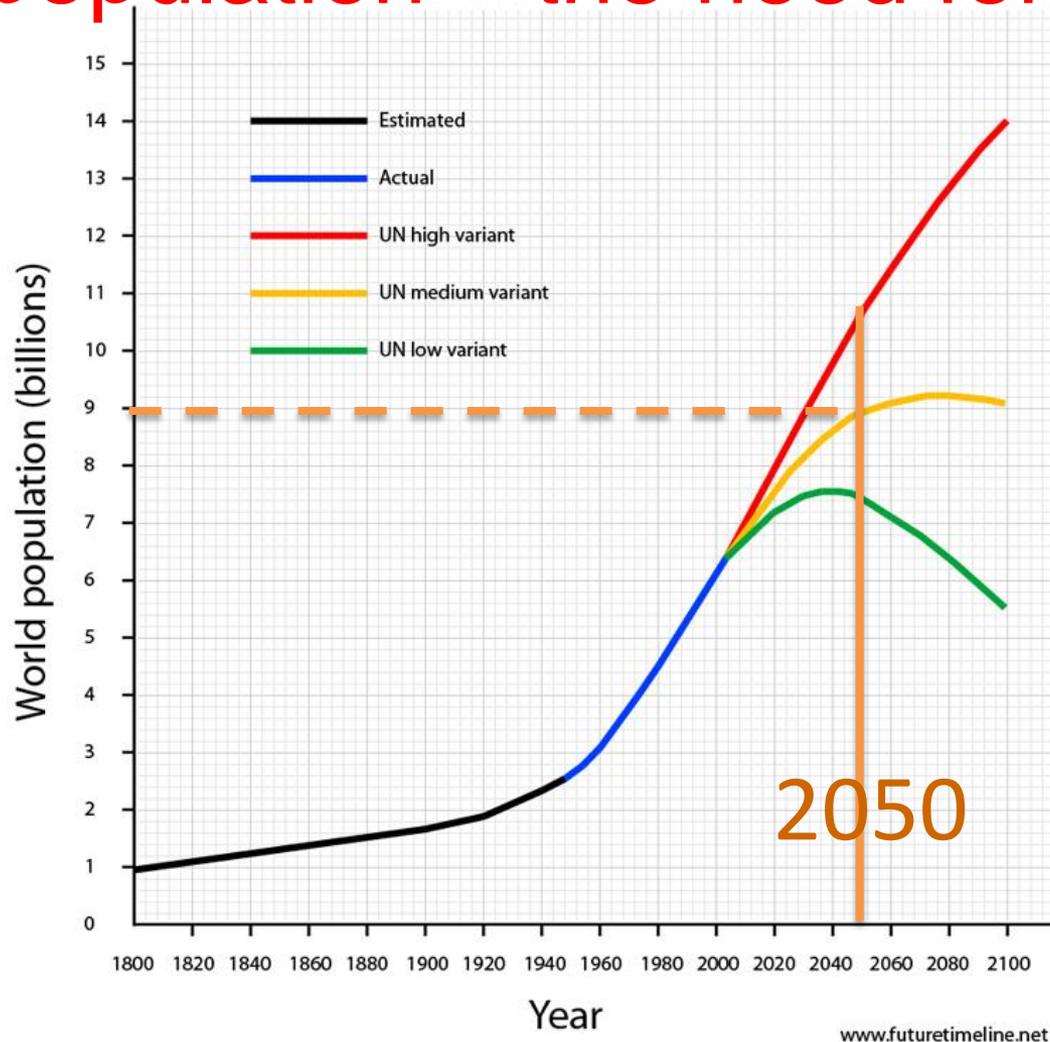


Scenarios





Global population – the need for scenarios





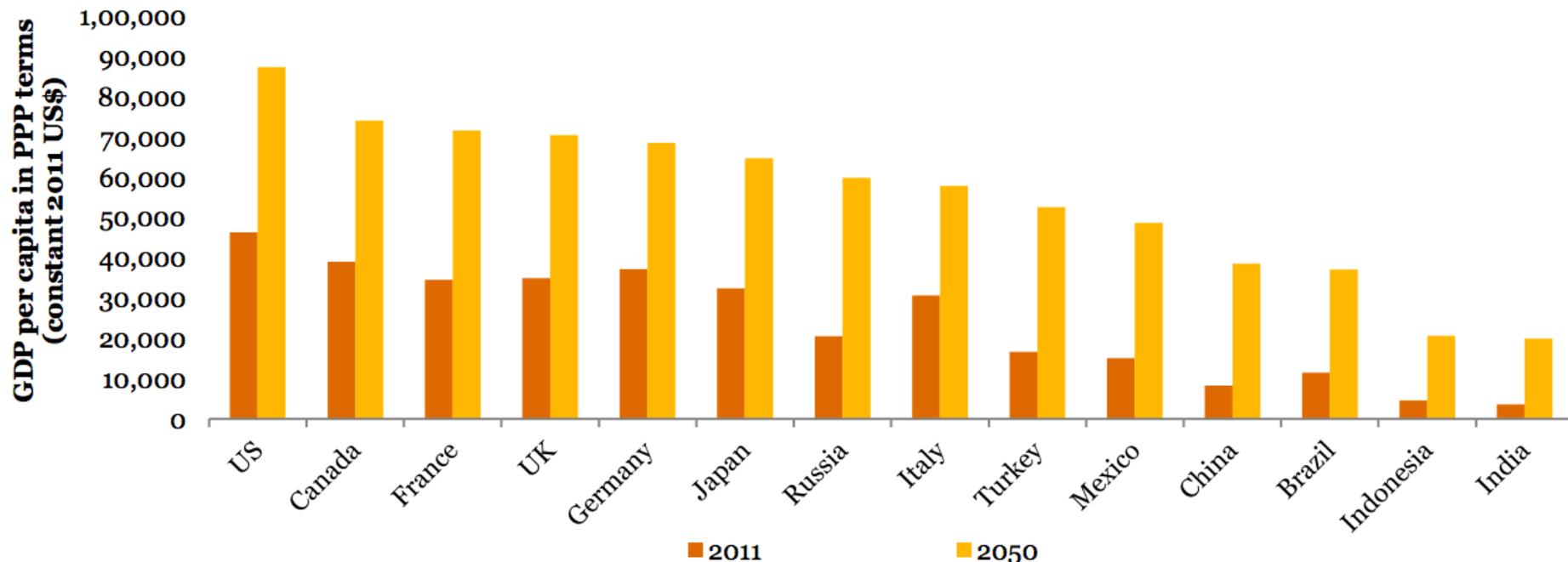
Assumptions for 2040

- Global population will grow and get older
 - Most of the additional people in Africa and Asia
 - Turbulence as the world rebalances to new centres of economic power
- New centres may not share the value systems or structures, behaviours of the West
- Technology (info, cogno, bio, nano) will continue to introduce changes in personal capacity and lifestyles
- Ecological, energy and environmental limits tested or breached
 - Population increases
 - Population lives in cities (70% by 2040)
 - New middle class uses electricity, travel, eats meat



GDP – shift towards BRICs and MINTs

Chart 8: GDP per capita levels in PPP terms for the G7 and E7 economies



The current trend is for incomes within countries to become more unequal, but for the differences between the richest and poorest countries to become less so.

Over a billion new middle class consumers in Asia, mostly Muslim.

Source: PWC, *World in 2050*, 2013

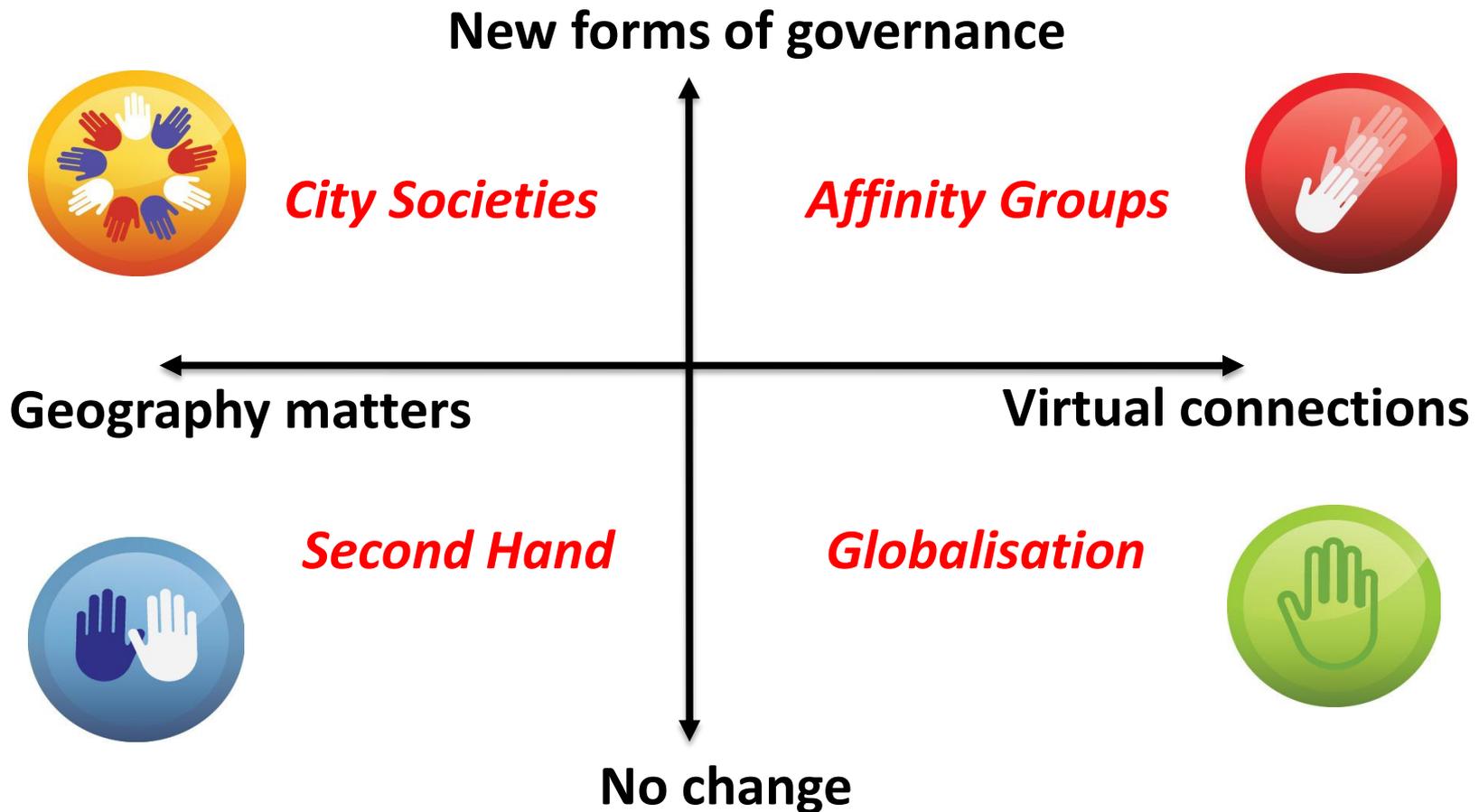


Scenarios

- Scenarios combine what we can forecast with possible answers to questions which are unanswerable e.g. given current events
 - Will our economy and society in 2040 be similar to now? With similar forms of governance?
 - or
 - Will there be a new paradigm?
 - Does technology mean that geography does not matter?
 - What sort of new paradigm might there be? Global **Affinity Groups**? Or
 - If geography still matters, what sort of new paradigm might there be? **City Societies**?



Scenarios





Second Hand - BAU

- Capitalism, nation states, democracy and western value systems still dominant as concepts,
 - though not all countries/regions are moving to embrace these
- Nearest to current paradigm but
 - Degradation of nation state capability
 - Technology has fed the population
- Systems in constant crisis
 - But no new ways forward
 - International and national institutions stagger on
- Very similar to today





Globalisation

- Capitalism, democracy and western values still dominant
 - Significant stand-outs and international tensions
 - Global markets
 - National governments in retreat
- Some institutions evolve
 - Rethinking of taxation & pensions
 - Food revolution successful
 - ICT underpins all
- Homogeneous culture and lack of diversity
 - Inability to handle systemic volatility
 - Break down of international institutions by 2030 (or sooner)





Affinity Groups

- A crisis has caused the breakdown of the current world order
- Society has re-formed around affinity groups
 - Multiple value systems accommodated in a single geography
 - Democracy not seen as universal good
 - Complex arrangements of nation states and communities of affinity groups
- How do international issues get addressed
 - eg regulation
 - eg systemic challenges?
 - eg governance?





City Societies

- A crisis has caused the breakdown of the current world order
- Society has re-formed around city states
 - Cities as wealth clusters “brands”
 - Failure of nation states
 - Democracy, capitalism and western values competing with other organising concepts, UN etc disappear
- Global commons abandoned
 - Conflicts in values, fewer implicit norms
 - How does governance work?





For more

- The report is in pdf on
 - the Long Finance web site www.longfinance.net
 - and the SAMI web site www.samiconsulting.co.uk
- If you would like to get our monthly enewsletter – eSAMI – please ask
 - esami@samiconsulting.co.uk
- For details of our training courses –
 - training@samiconsulting.co.uk
- Follow our SAMI 25 blogs
 - Our blog: <https://samiconsulting.wordpress.com/>
 - On Twitter: @SAMI4sight
 - Collected SAMI blogs on 2040 on www.samiconsulting.co.uk



BEIS Green Paper

“The BEIS Green Paper seeks views on three areas where we want to consider options for updating our corporate governance framework:

- First, on shareholder influence on **executive pay**, which has grown much faster over the last two decades than pay generally and than typical corporate performance;
- Second, on whether there are measures that could increase the connection between boards of directors and other groups with an interest in corporate performance such as **employees** and small suppliers; and
- Third, whether some of the **features of corporate governance** that have served us well in our listed companies should be **extended** to the largest privately-held companies at a time in which different types of ownership are more common”.



Now over to you

- Each group of four will focus on one scenario as assigned
- Scenario familiarisation
 - What is happening now that suggests this scenario could evolve?
 - What might be a headline in 2040 in this scenario?
 - What could make this scenario happen?
 - What could stop it happening?
 - What are the implications for corporates (national, international), for family firms, for not-for-profits?
- Questions for feedback
 - What needs to change to tackle each of top issues discussed earlier?
For the three BEIS topics? In this scenario

At 14:45 move to your scenario corner and agree on top answer for each issue/topic for your scenario

At 15:15 we will do feedback for each scenario