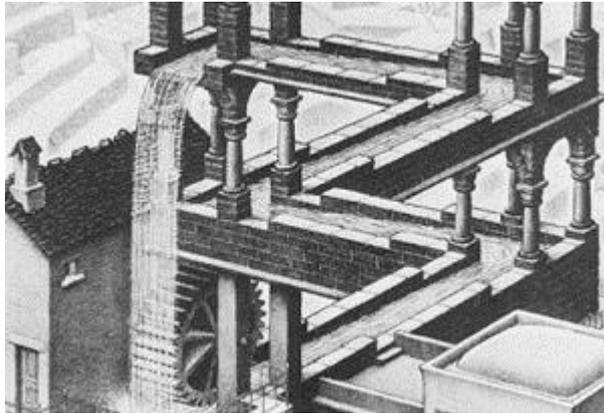


# Forward-looking Governance on the Risks of the Future

By Arthur Izeboud  
December 2013



On the eve of the unknown 2014 events that will dominate the Corporate Governance arena, since we do not know what they will be, in this article, I challenge all of us who have a responsibility in this field to correctly identify and interpret any signals that will trigger 2014 corporate scandals and events and act on these signals appropriately. *(translated from my article in [Dutch NCGI newsletter, December 2013](#))*

## 2012 to 2013

On 14 January 2013, Mr. Folkert Jensma wrote in NRC (Dutch national newspaper) of the need for accelerated legal procedures for New Year's Eve troublemakers, and in that perspective, the need to make the corporate population aware of moral framework. In this article, he referred to the fine imposed on Philips in December 2012 amounting to over 509 million Euros due to cartel activities, and Ballast Nedam receiving a 17.5 million Euros fine for bribery abroad.

An exciting opening of the New Year 2013! Prof. Dr. Paul Fentrop had made an interesting contribution to NCGI newsletter of December 2012 ['Annual Overview Corporate Governance 2012: Some examples of remarkable events'](#) (in Dutch). Food for thought during the Christmas dinner 2012.

## Ability to Learn:

'Corporate Governance' is on the move propelled by corporate incidents and scandals. The purpose of the specialist field is to help prevent these type of incidents and provide lessons learned.

Which signals are ignored prior to a scandal and why do people not act adequately on such signals? Would we have been able to identify and interpret the incidents and scandals, or events if you like, dominating the press in 2012 at an earlier stage and act adequately accordingly?

In retrospect it is not hard to determine where exactly things went over the edge, and where things should have gone different. The events are investigated and analyzed and the outcome serves as a basis for legislation and regulations and as comprehensive information for building opinions in politics.

Questions such as: 'How did it get this far?', 'Where was the auditor?' and 'Where was the Supervisory Board?' etc. prevail in the ubiquitous finger-pointing phase.

The following list is a selection from 2013 Dutch (corporate) events (source FC & NRC):

1. February: Nationalization SNS REAAL after SNS property scandal

2. February: Imtech reports 300 million Euros impairment on German and Polish projects
3. March: Brunel tampers with American accounts to manipulate profits
4. March: Cyclist Michael Boogerd confesses to doping
5. April: NVWA recalls 50 million kilos of beef
6. May: Fraud with healthcare expense reports comes to light
7. June: News leaks that Jeffrey Skilling of Enron will be released earlier (2017)
8. July: Siemens reveals own involvement in cartel activities in Brazil in the field of railroad materials
9. August: Alpe dHuzes initiator took over 200,000 Euros in expenses from the foundation
10. September: Corruption Nutricia subsidiary in China
11. September: RABO Libor interest rate fraud scandal
12. November: Mussel traders booked for fraud

### **The signals**

Reading the reports and analyses, 'the signals were always there', but 'no one did anything to intervene'. Retrospect seems to be an exact science. The question is if there were any signals in early 2013 that were ignored by the key players in the 'Governance Universe' around the relevant organizations, and if it would have limited losses if they had acted responsibly. The answer to this question is affirmative based on retrospective wisdom. The signals were definitely there!

### **The signals for 2014**

We are on the verge of a new challenge. How can all of us limit the losses of the upcoming events in 2014 using our knowledge of today's signals? During the symposium 'Organization Ecology: Survival of the fittest' at Nyenrode on 4 December 2013, Professor Dr. Paul Hilbers indicated that he will focus more on 'forward-looking supervision' in his capacity of Divisional Director of DNB, the Dutch Central Bank. In a further specification of this forward-looking supervision, DNB will focus on the 'risks of the future', and more specifically on governance, stakeholder, culture and conduct aspects.

In the perspective of the Dutch saying 'governing is looking forward', this is a major step in the right direction and a difficult one at the same time. Skeptics will say that forward-looking supervision is impossible after all, how could DNB or anyone else look into the future? Additionally, forward-looking supervision may involve a risk of self-fulfilling prophecies.

### **The weather**

Allow us to briefly deviate to the weather. In the past, the weather was hard to predict. In the course of time, we found ways to predict the weather with a high degree of certainty. This specialist field developed by increasing structural identification and interpretation, and acting on such signals, in spite of the fact that 'nothing is as changeable as the weather'.

### **Invitation**

**On the eve of the 2014 events that will be dominating the Corporate Governance area, I call on all of you with a responsibility in this field to correctly identify and interpret any signals indicating 2014 corporate scandals and events and act on these signals appropriately: forward-looking governance on the risks of the future!**

*This article was published earlier in Dutch in the [December 2013 NCGI newsletter](#). the Articles and columns published on [NCGI's website](#) and newsletter do not necessarily reflect NCGI's general vision. These are written by authors as a personal contribution. If you wish to respond, please contact us at [ncgi@nyenrode.nl](mailto:ncgi@nyenrode.nl).*