Managing risks crucial for sustainability

SAZZADUL HASSAN

"IT'S crazy out there" is probably the simplest of the phrases to describe the existing business environment. Nowadays for various reasons businesses all around the world face enormous challenges ceaselessly. One of the most widely used management acronyms to explain the extremely difficult current condition is VUCA, which refers to Volatility, Uncertainty, Complexity and Ambiguity.

According to a recent report published in the Journal of Financial and Quantitative Analysis, more than 50 percent of companies will not survive to age 16, with the highest corporate mortality occurring in the fourth year! The Boston Consulting Group (BCG) in their report titled "Die Another Day: What leaders Can Do About the Shrinking Life Expectancy of Corporations" published in 2015 portrayed an alarming picture of the mortality of the enterprises. After having a detail and in-depth analysis on 35,000 corporations publicly listed in the US, they found that presently almost one-tenth of all public companies fail each year, a fourfold increase since 1965. The "five-year exit risk" for public companies traded in the US now stands at 32 percent, which was only 5 percent 50 years ago.

•Undoubtedly, in today's world there are more risks enterprises have to deal with for their survival. It's a long list that includes constant regulatory changes, technology shift in an unprecedented supersonic speed, fierce competition, rising pressure on environmental factors, volatile climatic condition, ethical challenges and sometimes even the unseen hackers! This scary situation naturally begs the question - what is the way out for the businesses? Management gurus and successful companies came up with the answer popularly known as "ERM" – an acronym for Enterprise Risk Management.

ERM is a business process led by senior leadership through which enterprises:

•oIdentify all potential risks;
•oAssess the impact of risks to the operations and overall objectives;
•oDevelop and practise response of mitigation plans;
•oMonitor the identified risks, holding the risk owner accountable, and consistently scanning for emerging risks

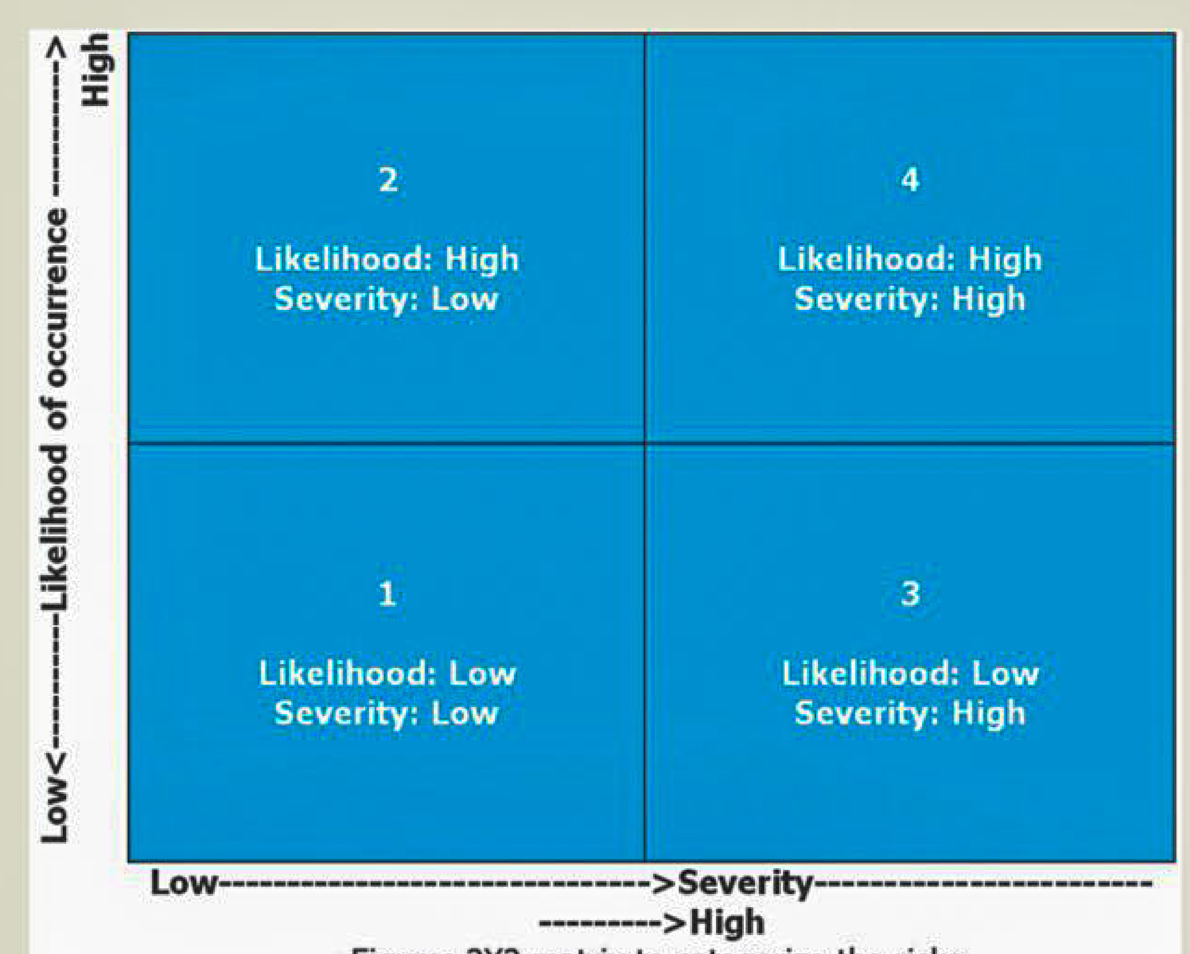

Figure: 2X2 matrix to categorize the risks

The process starts with identifying the potential risks associated with the business. Once the relevant risks are identified, the next step is to assess the impact of the risks. There are certain categories of risks which are very common in nature, for example, competitors reducing the price of their products or services. While there are other risks which can be categorised as rare, like natural calamities such as earthquake. Risks are also classified based on the severity or damage they do to the businesses. A 2X2 matrix is used to categorise the risks:

After assessing the risks, the next step would be to devise the ways and means to address those. An effective tool known as ATRR (short form of Avoid, Transfer, Reduce and Retain) is used to manage the risks. For the risks falling in the quadrant labelled as "1" in the figure above can be retained, meaning these are low category risks and organisations can live with those. Risks falling in the box labelled as "2" can be avoided if certain measures are taken. The risks placed in the box denoted as "3" can be transferred to others. The quadrant labelled as "4" refers to the risks which can be reduced if organisations take some precautions.

To explain the ATRR technique further, let's consider some real-life situations. There are certain risks which can be avoided, say a company is penalised by the local authority if the necessary licences like trade, tax and VAT licence are not renewed on time. This risk can easily be avoided by renewing those documents timely. There are certain risks which are unforeseen and beyond enterprises' control like earthquakes. In such case businesses can have insurance coverage to transfer the risks to the insurance company. Sometimes a company faces the risk of losing talents. This type of risk can be reduced by having employee-friendly policies like better compensation, clear career growth plan for the talents, and conducive working environments. There are certain risks which businesses have to accept and face as and when they occur. An example can be unethical practices of employees. If an enterprise follows the rules and regulations strictly and has a healthy culture of ethics, it does not have to worry too much about this category of infrequent risk.

There are instances when despite having a risk management practice in place, enterprises suffered badly. GM, one of the world's largest and reputed auto makers, had to pay more than $2.6 billion as penalties and settlements to federal law suits over defective ignition switches in its vehicles. This defect could cause engines to stall and prevent airbags from deploying in crashes. Consequently, the faulty devices cost 124 lives and 275 injuries. Eventually, GM had to recall 3.1 million vehicles from the market!

Internal documents clearly showed that the company had known since November 2009 that the faulty ignition switches were prone to turning off, preventing the air bags from working. Red flags were raised over and over, however, no action was taken. By the time the company reacted in 2014, it was already too late!

This was a clear case of not paying enough attention to the risk management processes. The concerned functions seemed to have completely undermined or ignored the potential risk.

Enterprises should be mindful so that risk management doesn't become a "ticking the box" type of exercise. It requires a holistic approach and must be embedded into organisations' overall strategy. Risk management becomes effective and pays off if everyone in the organisation is actively engaged and at the same time, all the policies as well as processes are completely aligned.

The writer is the chairman and managing director of BASF Bangladesh. The views expressed here are personal.

Anil Ambani guilty of contempt of court in RCom-Ericsson case

PALLAB BHATTACHARYA, *New Delhi*

India's Supreme Court yesterday held billionaire industrialist and Reliance Communication's Chairman Anil Ambani guilty of contempt of court for wilfully violating its order by not paying Rs 550-crore dues to telecom equipment manufacturer Ericsson India.

The apex court held that the RCom chairman and Reliance Telecom Chairman Satish Seth and Reliance Infratel Chairperson Chhaya Virani breached the undertaking given to the apex court and the related orders.

Anil Ambani

Ambani, Seth and Virani were present in the courtroom when the judgement was delivered.

The top court said Ambani and others will have to pay Rs 453 crore to Ericsson in four weeks or go to jail.

A bench, comprising of Justices R F Nariman and Vineet Saran, also directed Reliance Communication, Reliance Telecommunication and Reliance Infratel to deposit Rs 1 crore each to the apex court's registry in four weeks or the chairman of these companies will have to go an additional jail term of one month.

It directed that Rs 118 crore already deposited by Reliance Group in the apex court's registry be disbursed to Ericsson within a week. "From undertakings given by Reliance Group's top brass, it appears they have wilfully not paid the amount to Ericsson despite orders and undertakings given," the bench said.

The apex court specified that any unconditional apology given by Reliance needs to be rejected as they have breached the undertaking and the order.

The bench said the three Reliance companies did not adhere to the 120-day deadline and the extra 60 days given by the apex court to pay Rs 550 crore to Ericsson.

It said the undertakings given in the court was false to the knowledge of the court and affected the administration of justice.

Undelivered imported goods burden Ctg port

Tk 5,000cr worth of goods remain stuck for 5 years

RAJIB RAIHAN

A truck abandons imported but undelivered poultry feed—which got rotten due to delays in auctions—in the port city's Ananda Bazar dumping yard yesterday.

MOHAMMAD SUMAN, *Ctg*

LONG delays in auctioning off goods brought in and abandoned by importers at the Chattogram Port are not only damaging a good portion of the items but also depriving the authorities and shipping agents of revenues.

Port users say the goods are not being put up for public sale because of the indifference of the customs authorities and other complexities, but nobody is benefitting from the delay.

The abandoned goods have been occupying a huge amount of space at the port for months, hampering the port's activities.

Due to the failure in arranging auctions on time, 6,780 import consignments containing goods worth Tk 5,000 crore remained stuck in the port for five years to 2018, data from the port and the Chattogram Customs House showed.

Of the consignments, 295 went missing from the restricted area of the port. Only 239 containers of imported goods worth Tk 50 crore were disposed off in the last two years.

Port users said if auctions were held on time, wastages and incidents of goods going missing could have been averted.

The customs authorities managed to auction off imported goods worth Tk 48 crore in 2017-18, up from Tk 43 crore in 2016-17. Goods worth Tk 38 crore were auctioned in the July-December period of the current fiscal year, data from the customs auction department showed.

According to rules, if an importer fails to receive imported consignments within 30 days after the goods are unloaded from ships, the port authorities hand over the import documents to the customs authorities for issuing a notice to the importer.

If the importer does not take the delivery within 15 days after the issuance of the notice, the goods can be auctioned off.

The reasons for not taking delivery of the imported goods include a fall in price of goods in the local market, failure to submit original documents in support of the shipment, failure to get clearance permit report and importers' refusal to pay fines if they are accused of anomalies.

Importers can keep containers in the port for four days free of cost and after the period they have to pay charges.

On February 11 this year, the port city customs house started disposing of 3,000 tonnes of perished food and chemical goods stuffed in 130 containers.

The goods were shipped in by 50 importers in the seven years to 2016. Of the containers, 42 belong to Mediterranean Shipping Company.

Ajmir Hossain Chowdhury, assistant general manager of the company, says, "Our containers have remained stuck at the port for years while we have not been able to get the rent for the containers. Moreover, we have to pay electricity bill for the refrigerated containers and pay for the disposal of the items."

"Since the auctions have not taken place in time, we could neither use the containers for other consignments nor send them back to the owning companies abroad."

Chowdhury said many container owners are expressing unwillingness to supply containers to Bangladesh-bound goods and are charging extra.

Altaf Hossain Bachchu, general secretary of the Chattogram Customs Clearing and Forwarding Agents Association, said the unreleased consignments should be put up for auction regularly to save the goods from being wasted.

He said the auction procedure is lengthy. "The process should be made simpler. Otherwise, consignments left abandoned will keep piling up."

Chattogram Port Authority Secretary Md Omar Faruq said the port was losing revenue since the space occupied by the containers loaded with import goods cannot be rented out.

In 2015, the CCH took an e-tendering programme to speed up the auction process but it is yet to be implemented.

CCH Commissioner Kazi Mustafizur Rahman said the auction did not take place in time because of a dearth of workforce and equipment.

The customs is going to take initiatives, including increasing the workforce and equipment and implementing the e-tendering.

The customs destroyed 21 containers of fruits and food items in September 2017, 88 containers of perishable goods in December 2017 and 130 containers of perishable food and chemical goods on February 11.

Saudi prince sees 'useful returns' from expected $100bn investment in India

REUTERS, *New Delhi*

SAUDI Arabia's Crown Prince Mohammed bin Salman said on Wednesday he saw investment opportunities of more than $100 billion in India over the next two years as he began his first official visit amid tensions between arch foes India and Pakistan.

India rolled out the red carpet for the crown prince as it seeks diplomatic support against Pakistan following a militant attack in the disputed region of Kashmir.

The crown prince was also given a lavish welcome this week in Pakistan where the two sides signed memoranda of understanding valued at about $20 billion to help prop up Pakistan's economy.

In a joint press appearance after talks with Indian Prime Minister Narendra Modi, the crown prince said terrorism was a common concern and Saudi Arabia was ready to share intelligence with India to tackle it.

India blames Pakistan for not doing enough to roll up militant groups that operate from its soil including the one that claimed responsibility for the Kashmir car bombing on Thursday last week.

Pakistan denies any involvement in cross-border terrorism and said it would retaliate against an Indian attack.

"We face similar challenges, chief among them extremism and terrorism … and we reaffirm to India that we are ready to work in the intelligence and political arenas to coordinate our efforts…" the crown prince said.

Saudi Arabia's formidable domestic security structure helped put down an al Qaeda bombing campaign over a decade ago. But the kingdom continues to face occasional attacks by Sunni Islamic State fighters and Shi'ite militants in its Eastern Province.

Riyadh also leads a coalition of Arab states fighting in support of Yemen's internationally recognised government against the Iranian-aligned Houthi fighters, who regularly fire rockets across the kingdom's southern border.

REUTERS/FILE

Saudi Arabia's Crown Prince Mohammed bin Salman and India's Prime Minister Narendra Modi meet at Hyderabad House in New Delhi.

The crown prince also said he wanted to expand commercial relations with India.

"Today we expect the opportunities we are targeting in India in various fields to exceed $100 billion in the coming two years… we want to work with you, Mr Prime Minister, to ensure these investments are made and to ensure useful returns for both countries."

Giant petroleum and natural gas company Saudi Aramco said it was in talks with India's Reliance Industries Ltd for possible investments and was seeking other opportunities.

Both India and Pakistan had expected a scaling up of investments on the crown prince's first tour of the region since the storm over the murder of Jamal Khashoggi, a Washington Post columnist, at the Saudi consulate in Istanbul in October.