

Letter to the Editor published in the AICD Magazine August 2005:

Is Corporate Regulation Killing The Company?

Directors must re-examine the way in which regulation can be turned into profit

If the article "Is Corporate Regulation Killing The Company" encapsulates many of the views held by Australian directors in terms of the effects of regulation on their business, then directors need to re-examine the way in which regulation can be turned into profit or conversely how to produce the evidence that the regulations are unnecessary, or unfair and why change is essential to regulations.

We operate in a globally competitive market place and with "shared ownership" now a mainstream matter regulators are moving to protect the public and the public purse.

Legislation will always be reactive

Legislation will always be reactive; in response to some 'disaster' anywhere in Australia or the rest of the world, thus Australian directors are no longer insulated by distance. The reactive response by directors, that legislators and regulators face a challenge in, better understand how the corporate world works- is an expectation that is not going to happen unless there is corporate leadership to make it happen.

Non-standard approach by Australian Governments in implementing regulations

However the non-standard approach by Australian Governments in implementing regulations is reason enough for the Chairman or Board to be proactive in preventing 'disasters' through risk management techniques that are sensitive to people in and outside the corporation and the political or social, environmental, physical and legal consequences of 'failures'.

Barriers in acceptance of responsibilities between the Chairman, Board and Executive management

It is disappointing to note barriers in acceptance of responsibilities between the Chairman, Board and Executive management. It is even more disappointing that no

mention is made by the Board or Executive management of sharing in the responsibilities on the operations level, that in case of a failure will filter up to the Board.

Europe regulators are moving responsibilities further down in the organisation

In Europe regulators are moving responsibilities further down in the organisation, especially with respect to software safety – so there is a need to rethink sharing of responsibilities. It is now well accepted that 70% of corporate knowledge value is on the operations level and tapping this resource is the key to changing people and organisational behavior in meeting the challenges of this unregulated market economy.

Fear is what keeps directors awake at night

Fear is what keeps directors awake at night, in not knowing everything that goes on in the company. Fear is a good motivator to implement designed internal transparency so that directors can delegate risks to be managed within the company and also inform themselves of what is going on in the company. A means of making knowledge about risks flow within the organization as well as a means of making knowledge flow across the nation so that legislators 'do understand'.

Linking transparency to the 70% of knowledge value on the shop floor

Linking transparency to the 70% of knowledge value on the shop floor and removing knowledge barriers to merging the remaining 30% held by management will lead to corporate reporting that is the envy of the competition and an unfair competitive advantage.

Directors require control over the regulations they will get in the future

However, directors require control over the regulations they will get in the future and that requires a new system of measurement able to make intangibles tangible.

We get the regulations we deserve

We get the regulations we deserve unless we learn to turn regulations into assets and use independent audits regulations for financial, environmental and software safety as a means of continuous improvement in risks to be managed and meeting customer expectation on demand.

Change the existing legislation or regulations;

These are firmly in place and the effort to change them will be exorbitant, the challenge for the Boards/Directors is to forestall the law of unintended consequences that result in unwanted/unfair legislation or regulation.

To assist the Boards we have developed new management techniques enabling organizations to step beyond regulations.

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