

"Fund management risk - many retail funds sold by people who don't believe in them"

[youtube:http://www.youtube.com/watch?v=loXJAeQKZI0 auto]

Video of event for fund managers - many fund managers I talk to at events do not recommend their own retail funds to family or friends and are doubtful about future performance compared to simple tracker funds. Potential for major reputational risk.

**Business Ethics and Profitability - Articles written in 2007 by Dr Patrick Dixon, ranked as one of the 20 most influential business thinkers alive today ( Thinkers50 in 2005 survey),  
Futurist Keynote Speaker.  
More than 15 million different people have visited this site.**

**Corporate governance media interviews: +44 7768 511 390 - media log**

Failure in corporate governance is a real threat to the future of every corporation. Corporate governance as a business ethics issue is a hundred times more powerful than the internet or globalisation and can destroy your business in a week. To make matters worse, standards of corporate governance are changing rapidly in response to random events which capture public imagination. In business ethics, what was good is becoming bad and what was considered bad is now good. Standards for corporate governance that have worked for decades are looking old fashioned or immoral while other practices that raised questions are becoming totally acceptable.

See book - Building a Better Business by Patrick Dixon - on business ethics, corporate governance, profits and growth.

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So what is going to happen next in corporate governance? How can corporations use corporate governance to restore confidence and protect themselves against tomorrow's headlines? What will be the new "Gold Standard" for corporate governance and business ethics? How much further than legal minimum requirements for corporate governance should corporations go to ensure sustainable success?

- When corporate governance goes wrong who gets blamed?
  - Impact of media allegations of dishonesty, fraud or corruption of senior executives or directors – and how to protect business ethics reputation using robust corporate governance
  - Why goalposts for corporate governance will go on changing, and how to get ready
  - Urgent need for all corporate governance to be whiter than white, with unquestionable business ethics and risk management
  - Ensuring corporate governance compliance - board duties of care and responsibility in the future?
  - Defining clear areas of corporate governance responsibility of boards and directors
  - Using corporate governance to balancing interests of different constituencies and stakeholders
  - Why we have to separate board scrutiny role from management power
  - Ethical / society responsibilities of directors and large investor "owners"
  - Independence of audit, nomination and remuneration committees?
  - "Duty of curiosity" by directors to ask very awkward and sensitive questions
  - Improving quality and flow of information within a corporation's governing structure

## **WHY WE GOT IN SUCH A MESS**

Free market ideology was that corporations were kept responsible to customers, shareholders, workers and society by customer and investor behaviour, seen in share price. Millions of individual "voters" in the market place ensured they behaved. "Bad" corporations were punished by selling. "Good" corporations" were rewarded by buying. "Market forces will sort it all out". This ideology weakened the idea of corporate governance and accountability.

## **WHY WE STILL CAN'T TRUST THE NUMBERS**

- Conflicts of interest remain in all audits even where consulting links are abolished
  - Concerns that some auditors are looking for jobs in the companies they audit
  - Auditors under pressure to get next year's audit business
  - Old accounting standards do not always give fullest picture

– Globalisation and e-technology are making reliable audits extremely difficult

## **EXPECT MORE CONFLICTS OF INTEREST AMONG GLOBAL AUDITORS**

Consolidation at top end of professional service organisations means global players are running out of firms to approach to provide independent advice over large complex deals

- Conflicts of interest are growing rapidly – made worse by the collapse of Arthur Andersen, with companies in danger of representing the interests of more than one party
- Expect future accusations of breaks in “Chinese walls”

## **TRUST TAKES YEARS TO WIN AND HOURS TO LOSE**

System of corporate governance must win trust of the international community

- Steps to rebuilding trust in the corporation
  - T ransparent – totally open, going beyond current requirements or expectations
  - R esponsible – clearly acting in the broader and longer term interests of all
  - U ncompromising – total commitment to highest moral positions
  - S uccessful – great results combining excellence in all areas with strong values
  - T emperate – taking care to avoid major risks, wild decisions and extravagance

## **CEO CONFLICTS OF INTEREST MUST BE DEALT WITH**

- Making decisions that benefit the CEO at expense of the future of the company, made worse by the large stock options given and other triggered incentives,
- Hiding how much the CEO takes - non-recording of stock options as an expense, overly-complex complex reporting

## **ACCOUNTABILITY CONFLICTS FOR STAFF**

The fundamental issue at the heart of many recent scandals

- “I did what I was told” –
- So who do you serve? Your boss? The boss of the boss? CEO? Board? Shareholders? Customers interests? General public? Courts of law? Your own conscience?
- Extreme pressures on employees to toe the official line
- Harassment and threats by people representing huge power

## **HOW CONSULTANTS AND ADVISERS GET COMPROMISED**

Who is the consultant or adviser accountable to if things are discovered?

- To the individual who set up the arrangement and is asking for the advice (who may be part

of the problem)? His or her boss? The CEO? The board? The shareholders? The government?  
Consumers? The public? Who do you tell and when?

- What are the limits of confidentiality in consultancy?

## **HOW THE MEDIA CAN BE COMPROMISED**

- Media investigation should be a powerful corrective force, exposing wrong-doing, but media depends on advertising. Dangers of alienating big funders of media companies.
- Media is also sensitive to news manipulation and lobbying, including benefits for journalists writing stories
- Need for transparency – declaring interests of journalists and editorial team including those of the owner(s)

## **HOW GOVERNMENT CAN BE COMPROMISED**

- Lobbying budget in US greater than GDP of 57 nations
- Over 100 lobbyists per Member of Congress
- \$5bn a year industry designed to create new laws or regulations, change existing ones, limit corporate liability, create barriers to entry for competitors, change who gets elected
- Potential for corrupting the democratic purpose
- US Government shell-outs to business are worth more than \$300bn a year
- Selective tax breaks, trade policies and spending programmes are all sensitive areas
- risk of corruption and danger of distorting free market

## **HOW CORPORATIONS CAN OUT-GUN GOVERNMENT LAWYERS**

- Government will increasingly target corporations as well as individuals with legal action
- Large corporations have deeper pockets than legal budgets of government
- They often get better quality representation from huge heavy-weight teams

### **“SUCCESS PLUS” – Doing great things in the right way**

Success itself is being redefined – fundamental rethink about the purpose of corporations. Corporate responsibility will be far more widely interpreted. REAL SUCCESS will be everything we have previously taken for granted in high performing companies PLUS the highest ethical standards in all areas.

## **BUILDING A BETTER WORLD – core value and universal slogan**

Corporations will be expected in future to “build a better future” – not only for their shareholders but also for their customers, workers, business partners, community, nation and the wider world. Those with effective corporate governance based on this core value will have an added competitive advantage: attracting and retaining talent and generating positive reactions in the marketplace.

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