

Confronting Changing Global Realities

Preparing for Insecurity as Unexpected Events and Fundamental Shifts Occur

The world is changing. Global events and emerging trends suggest fundamental shifts may be ushering in a new era. It is causing many directors, boards, and corporate stakeholders to question past assumptions. Some of them and many citizens are anxious, uneasy, and unsettled. They are unsure of how to respond. Traditional players such as nation-states face challenges. For some, they may constitute existential threats. Boundaries, differing opinions and perspectives, and longstanding allegiances complicate or prevent required responses.

Many areas are affected by uncertainty. The number of factors to be considered when taking decisions or reviewing and establishing strategies has greatly expanded. Strategising, prioritisation, and the provision of strategic direction have become more problematic. The further one tries to look ahead, the cloudier the picture becomes. Interrelationships between different issues, risks, and threats complicate their individual discussion. In many organisations, few people are equipped to simultaneously address groups of issues together.

Persisting silo-based corporate structures also hinder or prevent cross-functional, multi-silo, and/or inter-organisational collaboration and required collective responses. Boards and CEOs often do not know to whom to turn for more holistic advice or who might be sensitive to possible unintended consequences of future actions and decisions. They find it difficult to assess how these might complement or interfere with steps taken to address other issues. Implications and consequences of actions and responses are often more difficult to predict.

Recognising unintended consequences

What might be done to confront one challenge often worsens the potential impacts of others or undermines



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preparations for them. For example, people rushing to use AI applications and tools to understand how they may be impacted by increasing greenhouse gas emissions can spike energy demands. The generation of the large amounts of additional electricity required can boost emissions and make matters worse. Speeding up the production of possible solutions can also consume finite natural capital required by future generations, ramp up demand for power, and prolong fossil fuel use.

Potential innovations are often played as 'get out of jail cards' that might benefit their proponents, producers, owners, and elite beneficiaries. They may cause others to relax and continue activities that generate negative externalities and exacerbate their undesirable environmental impacts. High-tech innovations sometimes also benefit a few and impose further burdens upon the excluded and marginalised. Proposals for new initiatives or investments often stress internal and short-term benefits for those considering them while underplaying or ignoring adverse and longer-term consequences for others.

In relation to existential threats, many companies have not learnt lessons from the COVID-19 pandemic, let alone take steps to prepare for future ones or deal with any that might arise. An infectious disease can spread more quickly than control measures can be put in place, and some measures to protect one vulnerable group might represent a threat to others. Problems are sometimes moved rather than solved. How many entities and their boards could cope with several adverse events happening at the same time? Responsible boards consider possible unintended consequences and seek to mitigate them.

Emerging realities and possibilities

Around the globe, in different countries, some aspects of the new era are becoming clearer as events unfold. There is likely to be increasing rivalry for scarce resources such as rare earths. That for life essentials like potable water could lead to further conflicts. More situations may come to be seen as zero-sum rather than positive-sum games, encouraging competition for available supplies or talent rather than collaboration to develop alternatives or substitutes or discover new deposits or sources.

Realpolitik, self-sufficiency, and national interest appear to be on the rise. Concern for the common good and ethical and/or moral responses seem to be on the decline. There is pushback against some

appeals to suggested shared interests. Individuals do what they think is best for themselves and their families. Flawed demagogues are tolerated. They may be supported if people feel they might be better off with them in control. In many jurisdictions, people feel that their living standards have either been stagnant or have not increased as fast as hoped for in recent years. They sense that while elites have benefitted, they have not.

Past allegiances are changing, and old loyalties are breaking down. Many people feel forgotten, left behind, powerless, and abandoned by those whom they no longer trust. They may look for scapegoats to blame and 'enemies within.' Preoccupation with the precarious nature of their own situations leaves little time to consider wider concerns. Most entities and institutions and many communities face certain common challenges. Across several different categories of existential threat, collective resilience is falling as vulnerability increases.

Growing challenges to democracy

Although acting now to address existential threats is often more cost-effective than delaying or not responding, many governments are distracted and focused on their immediate needs. Western democracies face a sustained assault from certain authoritarian and autocratic regimes that collaborate to undermine them. Regular, prolonged, and intense cyberattacks have been joined by acts of sabotage and arson. Invariably these are denied, although in some cases they are increasingly blatant. Continuity of policies and regimes cannot be assumed.

Misrepresentation, misinformation, disinformation, fake news, and deepfakes can undermine trust. They can be used by dictators and authoritarian rulers to discredit and undermine other, more open regimes while they use surveillance technologies to maintain order at home. Advertising is switching from traditional media to social networks and online sources. Business models and algorithms encourage extreme and polarising views that increase online visits. This is causing the layoff of fact-checking journalists and forcing print titles to close.

Traditional or 'old' media may also be or become the subject of cyberattacks. Their survival may require financial support. This might only be possible from a source that would impose a different editorial perspective. As pressures upon them increase, more politicians may perceive some advantages in authoritarian models, particularly in terms of ensuring

their own retention of power. Boards should be alert to early signs of any leaning towards autocracy.

More elections may be rigged, and further media could become subject to state or foreign control. In some parts of the world, business leaders may find the freedom to innovate they have associated with capitalism and enterprise in a free society is no longer welcome or becomes subject to 'guidance' or controls. Some form of self-constraint might be 'advised' or required.

Implications of polarisation

More communities and societies appear to be fragmenting into factions that may each have an increasingly distinctive view of reality. Previous differences of emphasis are becoming fundamental divides. A shared reality which is a precondition of a healthy democracy that tolerates diversity and a spectrum of views and which respects contending positions on issues, may fade or no longer exist in some countries. Autocrats can consolidate their positions by repeating core messages so frequently that false claims become credible. Partisan media can re-enforce them.

In many democracies there are disappointed people who have fallen behind. They may feel insecure and vulnerable, and no longer trust experts, the views of scientists and/or those in charge. They may associate democracy with inequality and unequal rewards, as others take advantage. Power bases can be created by appealing to those who are alienated and unhappy with traditional political leaders and parties. They may be isolated, lonely and disillusioned. They may feel marginalised and left behind. They may long for a place in the sun.

A demagogue might be able to persuade people that they are the ignored victims of an elite. Offering to fight for the interests of the ignored and against those taking advantage of them can appeal to people who feel their support is assumed. A 'strongman' may pledge to protect them and provide them with a purpose and a movement to join. The vulnerable may be easy to mislead. Demagogues can make deals with elites and certain interests, offer them spoils to retain their allegiance, and even use

their money to buy up and secure control of the media. Those who entrench the positions of demagogues can end up being dependent upon them.

Shifting centres of power and influence

The removal of alternative sources of information, power, and influence and democratic checks and balances can lead to corruption, illiberalism, and insecurity. The inability of the UN Security Council to act when members with veto-wielding powers exercise them, and a perceived decline in the ability of states to provide protection, is causing some citizens, communities, and companies to arrange their own security and/or other services. More private education and healthcare and state-encouraged and supported mercenary groups could be the result.

Confronting cyber and other threats requires resilient processes, systems, and supporting infrastructures. Defences may crumble if certain institutions are compromised. New actors have emerged, including international criminal gangs. They operate as agile and flexible networks that can move much more quickly than those they prey upon or who are attempting to confront them. While public bodies prepare cases for support to present at the next national spending round, if they see an opportunity to exploit or

penetrate, criminals go for it.

Multiple risks and a variety of existential threats loom at a time when many countries are already struggling to cope and have limited bandwidth to prepare for them. As public borrowings increase and resistance to further taxation and other revenue raising grows, many public bodies find they lack the funds to meet the expectations of citizens for services and support. Expectations may be dashed, promises broken, and lifestyles might be unsustainable.

Collaboration with businesses can enable public bodies to supplement their own resources and fill gaps in their capabilities. They may also benefit from the greater ability and freedom of companies to innovate and the easier access they might have to needed resources and certain forms of additional finance. Boards can ignore or consider the possibilities created.


To what extent can or should leaders and boards be held responsible for protecting stakeholders from the impacts of global risks and existential threats over which they may have very little control?

Contemporary leadership challenges

Many leaders at various levels have lost control. Most governments, public bodies, and infrastructures would be unable to cope with the simultaneous occurrence of a combination of events associated with existential threats. Citizens would initially, and perhaps for much longer, be left to their own devices. They could either cooperate or go on the rampage. Greater migratory flows caused by conflicts and climate change increase the challenge of securing borders. Private security resources may have to supplement those of states.

As it becomes easier for criminal and other unwanted activities to cross national borders and other physical barriers, technological solutions might need to supplement the use of people to ensure law, order, and security. Boards may find the number of points of corporate vulnerability increases exponentially as more risks crystallise, global temperatures increase, and other existential threats intensify. They might need to explore a wider range of scenarios, contingencies, and crawl-out or start-up costs.

Arrangements may also have to be made with other enterprises, public bodies, and local authorities to maintain, safeguard, and ensure the security and continued operation of local infrastructures and services. Alternatives and backups may be required. Safety, well-being, and security in an era of greater risk, uncertainty, and unpredictability are becoming higher-profile leadership challenges.

Insecure leaders may continue to avoid discussing uncomfortable realities in case this provokes dissent and results in unrest. Many of them worry about the limited means at their disposal for maintaining engagement, legitimacy, law, and order. Some may fear unrest and insurrection. People may abandon them. To what extent can or should leaders and boards be held responsible for protecting stakeholders from the impacts of global risks and existential threats over which they may have very little control?

Potential corporate coping strategies

Many individual companies and some governments turn to external contractors and partners to supplement their capabilities, mitigate risks and increase their security, resilience and ability to cope. Complementary capabilities are sought that are adaptable, flexible and can be quickly scaled up and down as situations and circumstances change.

Such assistance is not limitless. When simultaneously required by multiple clients, it may increase in price or be lost to the highest bidder. Boards that are not already considering the challenges and opportunities of the new era that is emerging may 'miss the bus'.

Gaps in capability may be filled, actions might become more comprehensive, and their potential reach and impacts can sometimes be increased by working together. Effective collaboration can require flexibility, compatibility of objectives and expectations, and regular contact with consortium partners and stakeholders as contextual and other changes occur. Sustaining cooperative relationships can be more problematic as inequalities of the resources, influence, power and contributions of different parties increase. Risks of disputes and dissolution may be reduced if the collaborators are relatively homogenous.

Among decision makers, and within boards, there is sometimes a temptation to delay or obfuscate. A laggard or reluctant participant might cast doubt as to which of various agencies, parties or users is responsible or suggest that the relative responsibilities of different parties should be discussed and clarified. This can appear reasonable and fair, and it may result in a matter being kicked into the long grass where it may fester or grow.

Establishing the 'ownership' of, and/or interests in, resources, risks and vulnerabilities affecting multiple parties and allocating responsibilities relating to them can be a protracted process. Events may create situations for which there is little guidance. Boards should consider the bandwidth, capability and skill requirements of achieving collaboration with, and collective responses from, parties otherwise seeking greater self-sufficiency.

Leadership dilemmas

In an age of insecurity, there are limits to the security a person or company might be able to achieve alone. Sometimes the effectiveness of collective responses is limited by the weakest link in a chain, as some perform better than others. Certain parties may also do little and/or freeload. Entities that prepare may find their efforts are not matched by local communities and those responsible for necessary infrastructures. If a dam, levee, or bridge is not properly maintained, a wide area and many citizens and businesses may be flooded and suffer loss.

When confronted with changing global realities, widespread social and political trends, and unexpected developments in certain markets, directors and boards face dilemmas. They may walk a tightrope when seeking to balance understanding and motivation. To register, impact, and influence, messages from a board or leader may have to be clear and positive. The many nuances of a complex situation in which many factors might be at work may have to be simplified or even avoided if there is a risk that they might confuse or discourage.

Boardroom preferences, priorities, cultures, and conduct often prevent the grasping of nettles and the taking of tough decisions. People can find it difficult to 'speak truth to power.' Leaders and their cronies may discourage it and even take steps to prevent it. Individual directors often try to avoid being thought 'negative.' They resist asking a difficult question if they sense colleagues want to move to the next item on the agenda. They might sense that those who ignore drawbacks and 'inconvenient truths' and who offer hope, however flimsy its prospects appear, are the ones perceived as 'positive' and who 'get ahead.'

Socially responsible leadership

Exercising corporate-wide, socially responsible leadership may become more difficult in societies that fragment into groups with contending perspectives and very different social priorities and that are strongly opposed to each other. Elsewhere, state media and public authorities may impose a particular view of society and what is expected from citizens. Many directors may have to contend with a greater diversity of opinions, perspectives, and views.

As existential threats such as climate change increasingly affect disaffected electorates, governments may feel they must offer them hope and positive prospects. Tough and expensive decisions, such as replacing ageing infrastructures, are repeatedly postponed. Promises of something tangible and new can seem more appealing than preventive maintenance or repairs. Boards should not assume that single strategies and approaches will be equally relevant and applicable across diverse contexts.

An issue for boards in some jurisdictions is how to avoid or handle expectations of loyalty to a national policy or position, an autocrat, or short-term self and vested interests, rather than the pursuit of a wider common good and responsibilities to the

environment and the whole of society. Responsible corporate leaders may have to hold difficult conversations with some of their peers. Courage might be required to expose propaganda, tackle corruption, and combat misinformation, rather than 'go with the flow.'

Future board leadership

The era that is emerging, offers opportunities for responsible directors. Corporate boards and stakeholders should be encouraged to think longer-term, safeguard their rights, and use them. Board members should monitor trends and be alert to risks, trends, and dangers such as democratic backsliding and threats from bad actors. They should be ready to speak up and challenge. Autocracy, extremism, polarisation, and divisions are encouraged by acquiescence and silence. False and outrageous claims should be countered rather than ignored.

Socially responsible leadership can ensure a fairer distribution of the benefits of business, capitalism, innovation, and enterprise. It can create more positive-sum games and inclusive outcomes. Collectively, the efforts of individuals can make a difference. They can enable more effective responses to existential threats. The forthcoming 19th international conference on corporate social responsibility provides an opportunity for directors to discuss how best to prepare for and cope with the challenges, dilemmas, and paradoxes of more demanding times.

Boards have a potential unifying role to play. They can bring parties together. Autocracy can lead to central control, uniformity, and stagnation. It can erode integrity and undermine trust. It can stifle and shut down the exploration of alternatives and prevent the development of new options and fresh possibilities. In contrast, openness and freedom of expression can result in diversity, creativity, and much-needed innovation, enterprise, and entrepreneurship. ■

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