

EUROPE

CNA Hardy's Dave Brosnan on bumps in the road as businesses go global



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NEED TO KNOW

- Companies are turning to Europe and Asia to grow their top line
- Corporate, compliance and supply chain risks are much more likely to trip these companies up than macro political and economic risks
- As businesses are held to higher standards of governance, the risk increases for individual directors to be held criminally responsible for corporate failures

Brexit and terrorism may grab headlines, but boards shouldn't turn their attention away from corporate, compliance and supply chain risks, which are more likely to thwart their international ambitions, warns Dave Brosnan, CEO of CNA Hardy Europe.

As American business magnate Warren Buffet once said: "In the business world, the rear-view mirror is always clearer than the windshield."

To help CNA clear the windscreen, we undertake a biannual *Risk and Confidence Survey* with 450 UK-based multinational businesses across nine different sectors to assess business confidence and understand C-Suite risk concerns both now and in six months' time.

Far from clearing the windscreen however, our latest research revealed some disturbing findings.

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A toxic mix of worries over the [Brexit](#) negotiations, [terror](#) attacks and the UK's shock election result hit confidence levels hard during 2017. As a consequence, companies reported they are turning outward for growth, relying less on domestic opportunities in favour of [Europe](#), and to an extent [Asia](#), to grow the top line.

As companies switch focus away from the UK, however, the research shows their attention is caught by headline-grabbing political and economic risks to the detriment of a trio of boardroom risks – corporate, compliance and supply chain. In our view, these three boardroom risks are much more likely to trip companies up as they go global for growth than macro political and economic risks, which they can do little to mitigate.

Expanding business internationally exposes firms to unfamiliar regulatory scrutiny, particularly in Europe, where directors carry greater personal responsibility for corporate acts and have less protection. Yet only 8% of C-suite leaders surveyed were worried about [corporate](#) threats – for example the risk of fraud, corruption, poor governance and pensions exposure. The same low proportion (8%) were worried about [compliance](#) risk, which includes new or growing regulatory exposures, both in the UK and internationally.

Perhaps more worryingly, only 6% of business leaders ranked supply chain as an area of concern. Longer and more complex supply chains increase exposure to a web of third parties in Europe and Asia, making operations more complex and driving up risk. In addition, there will be increased compliance exposures when operating in new business environments with differing business practices.




With British businesses confident that their future success lies in international development, it is concerning that the more mundane boardroom risks appear to be dropping off their risk agenda, hampering their ability to realise their growth ambitions.

Looking ahead, the regulatory climate is only set to get tougher as businesses are held to increasingly higher standards of governance. This will increase the risk of individual directors being held criminally responsible for broader systemic corporate failures in areas including everything from data protection through to human slavery, corporate manslaughter and bribery.

The marked rise in litigation in these areas – think [Morrisons' data privacy case](#) and the rash of Deferred Prosecution Agreements by the likes of [Tesco](#) and [Rolls Royce](#) in 2017 – is just the first indication of the kind of heavy weather companies can expect as they look through the windscreen. Put simply, it's perturbing that these boardroom risk blind spots are putting directors at immediate and significant personal risk.

Armed with this insight, insurers need to work with our regional, London and international brokers to shine a light on the likely road ahead. As an insurance community, we should make it our mission to ensure that this trio of fundamental boardroom risks does not crash companies' plans as they look overseas to preserve the topline.

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