



Talk on “Embracing Uncertainty, Risk Management & Corporate Governance.”

by Ir. Chew Weng Yuen

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The Engineering Education Technical Division had co-organized a talk entitled “Embracing Uncertainty, Risk management & Corporate Governance” with Engineers Australia Malaysia Chapter, and the Institution of Mechanical Engineers Malaysia Branch, on 15th November 2017, at Wisma IEM. The talk was delivered by Ir. Dr. Ling Chen Hoe who is currently the Senior General Manager and Director of Meiden Malaysia.

There were 52 participants in the talk, and Ir. Dr. Ling commenced by defining uncertainty as something that is not known or reliable. Amongst the examples shown was the uncertainty that clouded some major Japanese manufacturers who have their production bases for Europe in Britain, making the issue of tariffs following Brexit a huge concern. Ir. Dr. Ling commented that activities happening around the world are likely to have repercussions on everybody regardless of where they are. This is the effect of globalization. Hence, it is to be expected that uncertainties will be increasing and is the new normal for doing business.

Ir. Dr. Ling then proceeded to discuss about embracing uncertainty, the opportunity in uncertainty, and the strategy under uncertainty. It was commented that uncertainty is often linked to fear than to opportunity. This reflected a shallow understanding of the potential benefits of embracing uncertainty. Ir. Dr. Ling mentioned that organizational leaders should manage the growth of their organizations by cultivating the proper mindset while developing the appropriate uncertainty-embracing competencies. This is because the challenging tasks in managing uncertainty could result in growth and opportunity for the organizations instead of fear and anxiety. The three mains uncertainty-embracing competencies such as the cultivation of awareness, communicating the uncertainty, and instigating the action were then discussed.

Risk and risk management techniques were next explained. It was informed that risk is inherent in all organizational activities, and is subject to the changes in the internal and external environment of the organization. As such, companies should identify risks that may affect the company and to decide on the course of actions to mitigate the identified risks. Risk management process which involved risk identification, risk assessment, risk mitigation, and risk monitoring were briefly discussed together with the four risk mitigation methods namely, risk reduction, risk transfer, risk avoidance, and risk acceptance.

Ir. Dr. Ling then briefly explained about systematic and unsystematic risks in finance. Systematic risk involved the risk that is attributable to macroeconomic factors *inter alia* inflation, changes in interest rates, fluctuations in currencies, and recessions whereas unsystematic risk is microeconomic in nature and the risk is company or industry specific. Some possible issues for risk management specifically in the context of an engineering firm were also shown to the participants.

Financial risk management which involved the use of derivatives or other financial instruments to adjust the risk exposure of a firm to a level that it desired was next discussed. Hedging, which is a risk management tool that is used to limit the risk exposure of a company was also defined.

Ir. Dr. Ling then proceeded to discuss about corporate failures. Various examples were shown to the participants amongst which include the failure of Lehman Brothers, Enron, and the insurance giant, AIG. It was informed that in attempting to meet the challenges of the dynamic business environment and the changing expectations, organizations inherently resort to taking risks. Hence, it is crucial that corporate directors stay focus on its roles, responsibilities, and evaluation to effectively monitor an organization's senior management team. This is to ensure that the organization's acceptable risk exposure is not being compromised in order to meet targeted results.

It was also informed that expectations of board members have changed due to the challenging and dynamic nature of the business environment. Improving corporate governance is crucial for success as the lack of it could lead to corporate disaster.

Ir. Dr. Ling also delved into some principles of Corporate Governance before the talk was concluded after the Question & Answer session and the presentation of memento to Ir. Dr. Ling by the session chairman.



Ir. Dr. Ling Chen Hoe discussing a topic during his talk on Embracing Uncertainty, Risk Management, and Corporate governance.