

Executive Orders: In search of new horizons...

January 2022

Security starts at the top. Just as cyber-security matters are not the preserve of the IT department alone but the responsibility of every employee to contribute to collective security (and not least those in the boardroom), so too must every decision taken at the highest level be in the sole interest of the company and based upon foundations of evidence and rationality. All too often, executive directors and chairpersons are at risk of falling prey to the



corporate malaise: that combination of arrogance, ignorance and greed that clouds decision-making and which can directly contribute to fraud and corruption. Given that such issues will ultimately have an effect on these executives' salaries, reputations and very jobs, it is surprising that these concerns are still not being addressed. In this three-part series, KCS will be looking at how assorted issues at board level can have serious consequences for the entire company.

The first topic is mergers & acquisitions: the lifeblood of company growth and always a 'feather in the cap' for the firm that can claim a significantly larger financial footprint, and reputational fillip, by virtue of being the primary entity. Perhaps most common in the legal sector, where one name above the door can quickly become four or five, but of equal importance to industry. A full-scale acquisition of the entirety of another business, often in another jurisdiction, is a major undertaking and requires significant diligence and surety about every aspect – from the more nebulous concepts such as 'team harmony' to fundamental alignments in financial probity and transparency. In the first instance, sadly, such diligence is often inherently lacking because of a fundamental absence of understanding over how investigations should be done and the difference between what a company needs to know, and what it wants to hear. Online press enquiries or database searches, regarding the 'known' information, will rarely be enough. In situations where the reputation and history of the firm to be acquired needs to be crystal clear, the need to pursue the 'unknowns' is as much good business sense as it is a necessity for peace of mind.

However, diligence on an acquisition is only half the problem. The other is the case for the acquisition itself. Given that it is established that an acquisition is probably the most important corporate decision that can be taken, companies need to be absolutely sure that it is in their best interests to do so right from the start. This is a question of the CEO or President's sensibility and decision-making: is the acquisition taking

place because it has been well thought-out, deemed advantageous and with a concrete strategy behind it? Or is it because the CEO demands it as an ego-driven venture to reinforce his power?

There are many simple cases where the arrogance and greed of top-level executives has brought about the downfall of firms 'too big to fail'. Witness for instance Carillion, the outsourcing colossus that was brought low by the CEO and Board acting with reckless abandon in the chasing of 'prestige projects' across the world with neither insufficient oversight of either the wisdom of this, or the system in place to prevent it. CEO, Richard Howson, had worked extensively in the Middle East and this gave him misplaced over-confidence to act in too risky a manner in pursuit of his own glory and reputation. Carillion, of course, suffered one of the biggest collapses in British corporate history.

The issue of being unprepared in, arrogant towards, or wilfully ignorant of the country in question, cannot be overstated. If a firm is dragged into an unfamiliar – or even unsuitable – jurisdiction at the whim of the CEO, and there is not the impetus or structure in place to stop this, the entire firm is pulled into trouble. KCS witnessed this with a key foodstuffs manufacturer that entered Russia at the whim of a CEO who saw this market as an opportunity to burnish his ego but chose to ignore the very clear threats present – even those indicated by experts in intelligence (us!) who warned against this. In the Wild West-style environment of the Soviet collapse, this CEO saw an opportunity to establish his firm in untapped territory and did not want to hear about the problems – to the point where his firm was tied up in Russian Mafia-linked and state-sponsored fraud and corruption. Extricating it from these proved far more problematic and damaging than not entering in the first place would have done.

These are just examples of incidents – but they will be replicated worldwide so long as the attitude remains at the top that 'I can do no wrong'. The corporate graveyard is littered with the bones of firms whose executives' pride and vanity has led them to ruin. We all want to make a name for ourselves, but decisions fuelled by arrogance (and indeed, a system permissive of this) leads to a roll call of shame.

Next week, 'Executive Orders' takes a look at the perils of partnerships and joint ventures in alien markets and asks whether CEOs can truly 'let go' for the benefit of the company – and whether they should.

KCS Group Europe - Strategic Intelligence & Corporate Security

A leading provider of security and intelligence services, we operate discreetly in some of the world's most difficult environments on complex cases of fraud, theft, corruption, or market dynamics. We gather intelligence through the discreet use of human sources to level the playing field and help our clients identify and deal with any risks, weaknesses and threats which could impact on their business, financially or reputationally.

Our key areas of expertise include:

Corporate Intelligence Services - New market or sector entry research - Know your customer screening

In addition, through our specialist team at KCS IS, we offer a unique service in the areas of Cyber Security and Cyber Risk. This covers penetration testing, vulnerability assessments, intelligence gathering and cyber security audits - providing unparalleled analysis, contingency planning, and implementation.

To find out more or to arrange a meeting to discuss your business needs, please email the team at info@kcsgroupeurope.com or call (00 44) 2072451191.
