

Take on Board Podcast – Episode 225



# Transcript – Ari Magalhaes uses her years of experience of analysing risk and employing strategy in the boardroom

Helga Svendsen 0:00

Today on the Take on Board podcast, I'm speaking with Ari Magalhaes about strategy and risk.

Before we start the podcast today, I'd like to acknowledge the traditional custodians of the land on which we record. For me I'm on the unseeded lands for the Wurundjeri people of the Kulin nation, and I pay my respects to elder's past and present and any First Nations people who may be listening today, I acknowledge their continuing connection to land, waters and culture. Yes, we've had an unsuccessful referendum in Australia to incorporate The voice into the Constitution. But regardless, I noticed that Indigenous elders have said that they maintain the vision of the Uluru statement from the heart. I to continue to support the Uluru statement from the heart. And I encourage others in the Take on Board community to do the same. I stand in solidarity with First Nations people for reconciliation.

Now, let me introduce Ari. Ari is on the boards of Arthritis and Osteoporosis Tasmania and Palliative Care Tasmania. She's a committee member of the Economic Society of Australia, the Tasmanian branch and a community advisory member of Red Nose, Australia. She was formerly on the boards of the United Nations of Australia, the UN, a Tasmanian committee and young professionals, and a member of the UNAA YP, a young professionals National Committee, and also formerly a board member and president of A Fairer World. Ari is a senior economist and the founder of Omni Strategic consultancy specialising in finance, business performance and risk, she has been involved with delivering over \$100 million in bottom line results to clients across various industries, from big pharma to community services. Ari has international experience and is very active in the economic space, being a member of the committee for economic development of Australia and the Economic Society of Australia. Welcome to the Take on Board podcast Ari.

Ari Magalhaes 1:54

Thank you Helga, it's great to be here.

Helga Svendsen 1:56

It is so awesome to have you here. And whilst I'm very keen to talk about your wonderful areas of strategy and risk to things that are also very close to my heart. As always, I'd love to dig a little bit deeper about you. So tell me about your upbringing, and the lessons that you learned what you've got up to, and the leading influences on how you thought and what you did.

Ari Magalhaes 2:19

Thank you, Helga, I think you can tell from my accent, I'm not originally from Australia, I was born in Brazil, and I moved around quite a bit as a kid. And as I got older as well, my first experience overseas was when I was five years old, I lived in France with my family for two years. And it's because of my dad's work and we moved around as a child. And if they're running a different mood, they lived in different states in Brazil and also lived overseas in various countries. And what I think really shaped me and how I think and how I approached them is how much our family diversity. So being in different countries and learning different languages experienced in different cultures, you realize the wealth of different perspectives. And you also realize how much value being open and listening and learning from others adds value to you how you do things. I did a school exchange when I was in high school, then I did a university change. I also did part of my master's abroad and here I am. I've been in Australia for almost eight years, and I absolutely love it. And I think it what really shaped me was that experience. And I am an introvert. So initially I had I also struggle with struggled with moving and going to different places and, and having to kind of start from scratch. But now I'm someone that will change. I love change. I love challenges. And that's what I specialize in now is helping businesses that are going through significant changes, or commission or really financial distress, or they're going through growth. And that's really what I do as a consultant and what I love doing as a board member as well.

Helga Svendsen 4:10

Interesting. It's so fascinating for me to hear that background of people and yeah, that moving around and change and diversity is a common thread now from your young childhood through to what you do now. You mentioned languages in there. I'm going to be embarrassed to even ask this on my behalf not on yours. But how many languages do you speak?

Ari Magalhaes 4:28

I speak six languages. Which languages so my native language is Portuguese, then my second language is French, English, Spanish, Italian and German.

Helga Svendsen 4:39

Okay here so I speak English and bad Italian that I'm learning on Duolingo. Well, actually, and just out of interest, how many countries have you lived in or which countries have you lived in?

Ari Magalhaes 4:52

I've lived in I think, eight countries. So I've lived in Brazil of course Germany, the UK, France, Italy, Guatemala, Australia,

Helga Svendsen 5:05

I promise I'm gonna get on to strategy and risk in a moment. But just one more in that background. What brought you to Australia?

Ari Magalhaes 5:11

Actually what brought me to Australia was a project in consultancies that I used to work for a large consultancy company. So I did my Master's in international management. So after doing my methods in error, went back to Brazil was working in Brazil with a Brazilian kind that said, What am I doing, but international management and consultancy? I work for that, oh, we have a couple of projects coming up in Australia, would you be interested in, in working there in supporting APA said, yeah, why not? I've never been to Australia. So my original plan was to come here for the project and stay around maybe one to two years. And well, then I met my Australian husband, and here I am, mate.

Helga Svendsen 5:53

Excellent. Well done Australian husband on grabbing Ari and keeping her here. That is excellent importation? If that's the word of talent, thank you for sharing some of that background. It's like I say it gives us a taste of what you're about and who you are. So let's dig into strategy and risk then two areas close to your heart. Where should we begin?

Ari Magalhaes 6:15

Well, as always, we should begin with talking about a company's mission and vision. That's always the first thing. And the first question. And I think some of you a few boards have that vision at the top of every board paper, which I think is interesting, and really good practice. And everything. When we talk about strategy, it is really what is your vision and how you're going to get there? So what are the are these goals? What is going to progress your business or get your business to further its mission and to get closer to its vision? So that's the strategy and the risk is the what will impact you what will impact your ability to deliver these objectives. And I'm a big advocate of cognitive risk. So when we talk about risks, we always start with our risk threats, right? What can prevent you from achieving these goals, but the risks are also opportunities. So positive risk, what will happen if we can actually leverage and a great example was COVID. So COVID, has massive impact on organisations and people, but also a trove digital transformation significantly. And it's certainly an example of leveraging a positive risk.

Helga Svendsen 7:42

It would obviously be better if we hadn't had to have a pandemic, or still be in a pandemic. Really, I don't think we're at the other side yet. But you are absolutely right, this virtual world and digital transformation of the way things have done, it's pretty amazing, I think of one of the boards that I'm on is a conciliation and arbitration service. And I remember my first day of induction, wandering around and there was these trolleys packed with folders full of paper, which were the files for people that were coming before conciliation at the time and all that's gone now, overnight. Like we couldn't do that, during a pandemic, there was no paper files, people had to go to digital, and I am not under estimating how challenging that was both in terms of getting the right information, but it absolutely has driven some positive change. So I know you're on the board, or we're on the board of A Fairer World. In fact, firstly, tell us what is a fair world? And then secondly, there might be a bit of a story that you've got for us about the impact of COVID. And what that meant in that organisation?

Ari Magalhaes 8:44

Yes, so A Fairer World. They've been around for almost forty years now. So they're Tasmanian organisation, and they promote social justice. So they deliver a series of workshops around diversity and inclusion. They've got an amazing program called Students Against Racism in partnership with a Tasmanian TAFE. They've also got another amount of of course I am bias and a big fan, they've got a program called the Hobart Human Library, where you can read books. So you read people, people with very different experiences around rape, around domestic violence around this ability, and you get to read them, you get to talk to them. And it's such an impactful way. So that's what they do. And what happened so at the time, and so in 2020, early 2020, I was the president of A Fairer World, and COVID happened. So if you think that delivering workshops, right, so in 2020, early 2020 100% of the workshops were delivered in person through government funding, for example, two scopes there was a program to deliver the Hulbert Human Library and other trainings to schools throughout the state. and also to organisations to companies, government businesses, etc. And we had to put

everything on hold. And as you can imagine, it had a massive impact on our cash flow on our finances. One very useful tool that we had at the time was looking at risk register. So managing the risk and knowing what do we have to look at, of we know as most businesses are many businesses, we did not have the potential impact of a pandemic on spreadsheets, but we did have something impacting our ability to deliver workshops, and what the financial financial impact on cash flow. So we knew that we had x months, left, right up cash flow. So that pushed us to do a change something that was part of a strategy, which was looking at our programs, how we can deliver them better how we can reach more people. So what we did was we got an organisation to do with pro bono for us, which was helping us create digital workshops, all the setup, which was very time consuming, and all the the understanding not only around the technology, but the upscaling of the team, of our staff, of our books of our members, and all the legal considerations. Of course, if you can imagine that these very sensitive conversations were held in private environments. So you felt safe, you felt like you could share with anything to ask anything. So how was that going to work virtually. So there was easily a huge challenge, but we did it, we did it. So in three months, we started doing delivering workshops, again, virtually. And since then I've left the board. But I have caught up recently with their their coordinator. And more than half of the workshops, they are being currently delivered, I delivered virtually

Helga Svendsen 11:56

That kind of risk lens, and even that strategic lens, that I mean, you could just go to your risk register, pull it out, it's like Oh, my God, pandemic, quick, we've got to have a board meeting to work out what to do. And you weren't starting with a blank slate, you were starting with the risk register, which, as you say, probably didn't have global pandemic on it, but was still valuable for you in then helping you reset the strategy in a way is that, does that sound like a reasonable characterisation of how it came together?

Ari Magalhaes 12:27

Yes, exactly. It is a tool. It's a tool that can help you. We use the word HR as a lot of people use, but really being responsive, being able to be a lot more responsive and being very, a lot more confident around how well your turnaround is or how well can you how prepared you are to address any challenges that might come your way. And how you can on the other hand, leverages, like I said, we had that massive financial impact. But on the flip side, we wanted to advance our vision and our mission, which is to promote social justice. And that actually gave us an avenue to expanded reach.

Helga Svendsen 13:10

So just keeping your eye on the ball, so to speak of the vision of the organisation. And it's interesting, you say that about expanding the reach. I mean, I haven't attended one of the human library events that you've run, but I have heard of, I was talking to somebody the other day who attended a Human Library event. I don't know, I think it was in Denmark or Finland or something like that, because they

could they weren't in Denmark, they were in their little downtown place in regional Victoria, I think, Zooming in to hear some incredible story from somebody on the other side of the world. So you're right, expanding reach has actually been accentuated by the change in strategy or not, I shouldn't say change in strategy. It's a different way of achieving the strategy, the same strategy that you always had the same vision that you always had

Ari Magalhaes 14:00

Exactly you can achieve it as you know, there are different scenarios, you can come up with a different ways in delivering it. But that put us in a position without actually we really have to pick this out. Because that's what we do now.

Helga Svendsen 14:13

So in, that wasn't quite just one moment. But in March 2020 when everything was going haywire. I think what I'm hearing is your board got together and what they did was went back to inverted commas, vision and purpose of the organisation went to the risk register and said, What are these guiding documents? How do they help us in dealing with what we have before us today, which isn't mentioned anywhere in these documents? But how will they help us do what we need to do?

Ari Magalhaes 14:41

Exactly, and one of the examples was all the possibilities we discussed was, did we have some savings with that like we could use that money but we couldn't really wasn't a better option because of the cash flow implications and obligations to pay staff into support operations. So we looked at other options. And we managed to, thankfully, I managed to get a nice shell there, that initial work that really got us back online. We managed to get that work pro bono.

Helga Svendsen 15:13

So like I say, I'm hearing in there the importance of vision and purpose being upfront front front of mind in all of what you do. And as you say, prompting it to even be on every board papers so that it's front of mind in what you do pandemic or not. I'm also hearing in there that your risk framework and your risk register is helpful. Even if the risk itself that's on your doorstep is not the one that's outlined there, it'll still give you some guidance in how to deal with those risks.

Ari Magalhaes 15:40

Exactly. That's exactly right. And one thing that I like saying is that there's a lot of organisations say, I need a risk reward, we need a risk register to get that risk register done. And that's it, okay, we have

a risk register, great. The thing is, if it's not you, it doesn't really add any value. So when do that go through that exercise? One, your team goes through that exercise, think of it as a tool that will help you make better decisions. And in that death, example, deal with crisis better?

Helga Svendsen 16:12

This is a kind of a micro question, but I'm interested. So strategy, discussions, risk discussions, and kind of subset of that risk appetite, discussions. What order should they go in? Like, if a board is thinking of doing their new strategy? Do they start with their big vision strategic direction? Or do they start with risk appetite? Or do they start with what risks are on the radar? What's the best order in your view to do these things?

Ari Magalhaes 16:38

In that case, I believe you should start with outgrowth look into vision and mission. But looking at risk appetite, though, really you want to set another type of tolerances? How much risk is the organisation willing to take in pursuit of its mission? Or it's in its strategic objective, though, you think of how much am I willing to spend? How much am I willing to change my strategy or pivot my strategy? To respond to an event? How open I am I to any disruptions in operations? How open Am I to being liable for non compliance regulatory implications, at which level, the state level and the national level at a local level, or just internal non compliance against internal procedures, so all the discussion should happen? First, looking at your tolerances looking at the limits, then when what happens is when you define strategies, you're able to test the strategy again, against that those risk tolerances.

Helga Svendsen 17:40

So it's a little bit circular.

Ari Magalhaes 17:42

Yeah, exactly. And you adjust accordingly. So you'd be Yeah, it is circular. And, and then you you define the risk register, though, really, of course, if you think for the first time, what's the best sequence, but it's all interconnected. And you have to basically keep an eye on everything and monitor and then that controlling, and monitoring and using that information, those documents as tools is what really matters. And the other really important thing is when we're talking about, particularly about risk appetite, is defined in a way that can be understood by people by your team. Because other very common practice is to have risk appetite statements that are broad statements, that really you don't really know what they're talking about, or really don't know what it means to what you do. They sounds great. You know, we are calm, we are ambitious, but cautious. But those statements that you say, Okay, that sounds beautiful, it sounds great. I don't really know how to

apply the when you define it risk appetite, those statements those tolerances, have articulate them, you can always have, of course, have the statements have those high level definition and the paragraph there that talk about everything at a high level, but articulate it also in a way that is tangible that your team can use as a tool for decision making. So when you have an executive making decision, you want them to be able to go back to the risk appetite that has been set by the board and say okay, where does the my decision sit? Is it within risk tolerance or risk limits the risk limit set by the board by the organisation. So really think about it, how it can be used. So again, good practice their theme canonizations have it articulated and I've helped define that as well. In ways they so though, clear, then you use as a tool, you people have printouts at their desk when they think you are I'm working on this project on this business case. Let me have a look at the risk appetite and see if it sits within tolerance.

Helga Svendsen 19:56

See how it aligns? Yeah, nice. And in fact, even you know, I'm thinking of your observation before about having the strategic vision of the organisation on Board Papers, potentially also the risk appetite and how it relates to whatever is the content of that board paper? What's the risk appetite? And how does what has been proposed align with the risk appetite?

Ari Magalhaes 20:14

Exactly, exactly. You include that as a discussion, and the board should be really comfortable and aware of those tolerances or that risk appetite? Because when as you're going through the discussions and making decisions, and you have to Okay, what do we say again, about what is our position regarding with this, when you're talking about risk.

Helga Svendsen 20:33

So boards, set the strategic vision, they set the purpose, they discussed the risk appetite and established that they've got their risk framework, tick, tick, tick, job done, right? Then they just pass it to the organisation just to get it all done? Is that how it works?

Ari Magalhaes 20:48

Well, one of the key things is really you have all their documentation, it's just beautiful, right? It's branded colour through colour coded. It's printed in non eco friendly. And you're just super proud of it. And then you give it out to everyone, you share it, and then what they might not be using it, they might not understand it. And so really, the most important thing here is execution, right is to monitor it to make sure it's being used, and to want to be aware and to do something, if it's not. If it's not in line with your expectation, the really that monitoring. And in particularly strategy execution is even more important than the strategy itself in the sense that you think of two



organisations, one has an amazing strategic plan, and Dev and executed, and the other one doesn't have a very good strategic plan, but has a passionate team that understand the vision and they get things done. Who is going to deliver the best result?

Helga Svendsen 21:59

Yes. All right. So we have lessons there for boards as well. It's like, you can't just tick that box and say job done, your role is to ensure it's the oversight of the strategy. So it can't just be handing it on. It's that oversight and monitoring, as you say that it is actually happening on the ground. And if not, why not? There might be very good reasons why I'm imagining for your organisation at the time, a fairer world that was probably on your strategy, I don't know, deliver a less face to face workshops and increase reaching this way. And you probably didn't do any of that all for very good reason. So even if things are not happening, just exploring why that is and what that might mean for tweaking the strategy or tweaking the risk appetite or tweaking the risk framework.

Ari Magalhaes 22:48

Yeah, exactly. And when I talked about even monitoring, and when you talk about well, what would the board look at one of the very useful things is looking at the dashboard. So look at how are things progressing? And particularly the deviations, right? You have an amber traffic like road traffic, right? So things are not going as expected. Why is that? It might be okay

Helga Svendsen 23:08

Ari, so many great tips in here and stories that you've shared about to bring it to life? What are the main things you want people to take away from the conversation that we've had today?

Ari Magalhaes 23:18

Right, there are the three things I would like to share that that I kind of mentioned throughout our conversation. The first one is execution is more important than strategy. And I'm not saying the right strategy is absolutely essential. But you have to make sure it's being executed. And you have to keep track. The second thing is risk can and should be used as a tool to help your business achieve goals. So don't think of risk management as the tick the box exercise as a way are we have a risk register. And that's it. But really, how do you use it? How is it adding value because if it's not adding value, it might not be the right tool, or it might have it but you might communicate in a different way. And the third one, which I've heard other guests on your podcast mentioned as well is the keep learning right? So I would love everyone to learn a bit more about risk, and the tools I have available to help manage that better. What does that mean? And learn also about the best tools to help you monitor strategy execution, and what works better for your business and for your context for your team.

Helga Svendsen 24:33

Excellent tips in there. Is there a resource you would like to share with the Take on Board community?

Ari Magalhaes 24:39

Well, there is a book I highly recommend. It's fascinating. It's by a doctor called Atul Gawande. It's called The Checklist Manifesto. It talks about the power of checklists. And he talks about why not have checklists in operating rooms. Where else can we have checklists? And it's an easy way to make sure that you're on track. So we talked about tools, there are various tools that can place those dashboards, automated, Power BI, et cetera. But one of them is checklists, and checklists that are particularly helpful when you're talking about operations. And making sure you have it all the points. I've seen checklists being used when you're developing a project. So when you're undertaking a project plan, and you have that you want to need to have that initial discussion. So am I covering all the bases and one of the items on that list is where there's a project seed against risk appetite. So yeah, it's a wonderful book, I highly recommend it. It opens your mind to how simple tools can be used even in complex environments, and how much they can add so much failure.

Helga Svendsen 25:53

Ari, thank you. Thank you so much for taking the time to have a chat to me on the podcast today and for sharing your wisdom with the take onboard community. I really appreciate it and I've got no doubt the community does as well. So thanks for being here today.

Ari Magalhaes 26:08

Thank you very much Helga.

Transcribed by <https://otter.ai>