

'The Best Advice I Got' Series

“Minimise risks, but don’t hesitate to take bold decisions”

- Y M Deosthalee, CMD, L & T Finance Holding Ltd

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and impact of unsuccessful events or to maximize the realization of opportunities. It is a rigour of improving the probability of survival and success, mostly in an uncertain and complex condition.

It also includes a strong dosage for taking risks. But some people misunderstood it as a bureaucratic hindrance on businesses rather than a disciplined approach in value creation. The organisation needs to take daring decisions and calculate risks through intelligent risk management to sustain competition in the market. This allows competent decision making even when decisions need to be taken with incomplete and conflicting information. The organisation must have optimal risk mitigation practices that encourage innovation to endure success. But one should avoid pitfalls in the way of pursuing investment opportunities.

Generally, the natural tendency of any organisation is to preserve cash and avoid risks. It is important for smart enterprises to spot opportunities and take steps for long term value creation even during the period of gloom.

Y M Deosthalee, CMD, L & T Finance Holding Ltd. says, “The focus has always been given on risk management and liquidity in L & T. The group has never hesitated in taking bold decisions.” He further says, that this is the greatest learning, he had during his tenure as the CFO of L & T, particularly post the Lehman crisis. And it is due to this approach, that L & T Finance ventured to bid for Fidelity’s Mutual Fund business this year.

Once John F. Kennedy said, “There are risks and costs to a programme of action. But they are less than the long-range risks and costs of comfortable inaction.”

[Adapted from the Best Advice I Ever Got, Business Today]