

[Introduction]

With the rapid behavior changing disruption of recent years, and the ongoing stream of corporate governance failures. ACCA has been digging deep into how interconnected risks such as climate change and geopolitical issues are influencing the way we approach risk management. This podcast series will look at what risk culture means and to what extent risk and accountancy professionals understand its impact on performance.

[Voiceover]

Hilary Sutcliffe is the director of responsible innovation, non for profit society insight she is the board of advisors of the Carnegie Council on AI inequality, a member of the Cambridge Center for Science and Policy Network, and previously co chair of the World Economic Forum values, ethics and Innovation Council. So you recently spoke at our global forum for governance, risk and performance about this idea of pro society innovation and regulation. So could you start by telling our listeners, how this thinking came about?

[Hilary Sutcliffe]

Yes, this idea of a pro society approach. On the one hand, it's the culmination of my last 30 years work. I started, in fact, in the ACCA headquarters, and I started opposite at the RSA, looking at the tomorrow's company inquiry, which you were involved with, which is looking at the future of business in the changing world. And what would business be like, after that I got more involved looking at how organizations innovate and how responsible innovation would work. I got, for example, talking at the European Commission about the precautionary principle and the innovation principle. And then, in the last few years, got more involved in work on individual technologies, whether that be AI, biotech, nanotech, even neurotech at the moment, and how innovation actually is developed, and how it works for the good of society, and how very often it doesn't work for the good of society. And this concept of a pro society approach was inspired very recently, actually, by the governments in the UK, pro innovation and regulation strategy, which for me, felt from the point of view of digital technologies, which is all about was a slightly naive framing, given the fact that we are so concerned about the innovations that are coming out of the digital realm, and that a pro innovation strategy was perhaps less helpful than a pro society strategy where innovators think about the impact on society while they're developing their product instead of a little bit after.

[Voiceover]

Yes and you also have mentioned your initiative on the addiction economy. And I think in this new era of accountability, it would be great to get your thoughts on the implications for accountancy.

[Hilary Sutcliffe]

Yes, thank you. This was one of the other inspirations for this approach. I'm doing some work with a colleague, Joe Wolf, on what we're calling the addiction economy. And this is where companies don't just try and persuade their users to buy their stuff, but actually take deliberate steps to addict them. So we know this from social media. They're calling it attention maximizing techniques, which are actually addiction maximizing techniques. But we also know it very well from gambling, opioids, even arguably, these days, ultra processed foods, and of course, the big daddy of all tobacco. And what we looked at with this addiction economy, and the latest kid on the block, particularly vaping, is how does it happen that society lets these companies deliberately addict their users without actually any accountability for the negative health effects on individuals, or even the health of society and the environmental damage. And it really struck me there as well that this idea of a pro society approach which takes into consideration not just the development of innovation, but the regulation, it struck me that this system, which allows the value of externalities, to be put firmly with society or not, those who are causing the problems is quite an interesting challenge for the accountancy community, as well as for society itself.

[Voiceover]

You've talked in your letters to the FT about this before Hillary and the roles of investors and their stewardship, and how we get policymakers to understand the hazards. How do we make this pro society system happen?

[Hilary Sutcliffe]

I think it's partly awareness of how things are happening now. And we see a lot of concern in policy but also in society, even in businesses as well that how it's working now is not working that well for society, that you talked about my FT articles have this bizarre thing. I've not had 14 letters in the, in the last few years. And one of the most recent ones, which has resonated, was looking at how we seem to have got stuck in these ideologies. So obviously, neoliberal capitalism is an ideology now, which prioritizes it seems the right to make money over human rights, environmental sustainability, and perhaps the good of society as a whole. And companies don't want to be doing this focus, they really want to be incentivized to do the right thing, rather than just focusing on money. And we saw that with the launch of some of these new AI products. It was the system which was incentivizing them. The second ideology is innovation. It's not just about the introduction of new things, or ideas or ways of doing something. It's focused solely on science and tech driven products. And the third real ideology is that regulation stifles innovation, actually, good regulation, facilitates and catalyzes good innovation.

[Voiceover]

I also think you've talked a lot about the whole multidisciplinary approach to being able to achieve a pro society regulation system. You've mentioned before about even the role of academics and when it comes to innovation and making the world a better place.

[Hilary Sutcliffe]

Absolutely. The incentives from the very start of innovation, which is academia, don't help academics focus on public interest goals, they are judged only on academic papers. And they are discouraged from engaging with society engaging with societal issues. I've been on a few academic board saying what fantastic work, we really must get this work out there. And I was told, Look, Hilary, he will be penalized if he does engagement in the outside world, he will be seen as a lesser academic, by involving stakeholders and communicating through newspapers. And that was a bit of a shocker to me to be honest.

[Voiceover]

And what about the academic who was researching? I think it was a cure to some rare disease. And I hadn't even actually been speaking to any of the patients.

[Hilary Sutcliffe]

Yes, this is a bizarre one, I was invited to speak to the European brain summit on the involvement of stakeholders. And I led to this because I thought, actually, I'm gonna get some great case studies. Somebody's very bravely, I thought working on blindness. And you know, I'd like to support what Hilary said, I've been working on blindness, I think he said for 11 years now. And someone asked me, have you ever met a blind person? And he said, I hadn't. And then I did. And it was so useful. It's like, what? How is that possible? But this is about silos and disincentives. And this idea of technological possibility, not human needs, driving such a lot of academic innovation, which is not what academics really want to do. But they are driven to do that by their incentives.

[Voiceover]

And also on the forum, you talked a bit with our members about how we can be driving responsible innovation more how we can be driving citizen data science more, but how should we leave our audience today? What words of advice would you offer?

[Hilary Sutcliffe]

Well, I think the accountancy community is going to be fundamental to this really fundamental. I'm particularly interested at the moment in this idea of valuing externalities. So how do we understand the negative and positive impact? And how do we ensure there is accountability for the negatives, and reward for the positives. And you are totally at the heart of all that. I'm excited to hear more about, for example, new innovative thinking on accountability for shareholders and shareholders being sued, and the impact then that the accountancy community can have and also something that I know you're all concerned about, with stopping malpractice before it then escalates to damage the company and the reputation of the accountancy community. So you are at the heart of this, I actually never would have thought to say that you and the lawyers are the things that we're counting on, to help make us a better world.

[Voiceover]

These insights complement the calls to action in our risk culture report, in particular number 10, which talks about how we, as a profession can promote outcomes based innovation and regulation. Through both greater transparency, and more multidisciplinary engagement. Our next episode focuses on responsible leadership in today's disruptive world.

ACCA's professional Insights Team seek answers to the big issues affecting finance professionals. Find our latest research at [ACCA global.com forward slash professional insights](https://accaglobal.com/forward-slash-professional-insights).