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Global State of Enterprise Risk Oversight

Managing the Rapidly Evolving Risk Landscape
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FOCUS OF REPORT

The volume, pace, and complexities of the ever-evolving array of risks are significant and growing. Organisations that have prepared best to manage that reality can benefit strategically by outpacing those less prepared to deal with the stress of disruptions imposed by unanticipated risks.

The lingering impacts of the COVID-19 global pandemic, combined with a rise in social unrest, uncertain geopolitical dynamics, the ever-present challenges of cyber threats, and rapid advancements in technological innovations are triggering all types of uncertainties that most experts suggest will be here for quite a while. As the speed of change continues to accelerate, organisations with robust processes for identifying and managing emerging risks can leverage this knowledge and capability into opportunities for strategic advantage, leaving competitors to be unexpectedly blindsided by risks as they arise.

To gain insights about the current state of risk management processes around the globe, we surveyed executives about how their organisations approach risk oversight. This report summarises insights from 718 executives in organisations around the world and provides insights on the current state of enterprise-wide risk oversight, including identified similarities and differences in four separate geographic regions:

- Europe & the U.K.
 - Asia & Australasia
- Africa & the Middle East
 - United States

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EXECUTIVE SUMMARY

Five overarching themes emerge from the data analysed in this report:

1

COVID-19 has dramatically interrupted strategic decisions, triggered significant operational surprises, and introduced a number of new, potentially long-lasting risks for organisations all over the world.

- The impact has been greatest for organisations outside the U.S., particularly for those in Africa & the Middle East.
- The volume and complexity of risks is increasing in all regions of the world – demonstrating a need for risk management capabilities that is unlikely to go away.

2

Risk management practices may not be keeping pace with the risk realities in today's global environment.

- An overwhelming majority of respondents in all regions of the world do not view their risk management processes as mature or robust.
- For most regions of the world, only about one-third of organisations have complete ERM processes in place. Organisations in Asia & Australasia are most likely to have ERM in place relative to other regions.
- About one-half of organisations (outside Europe & the U.K.) have appointed a senior executive to lead the risk management process; just over one-third of organisations in Europe & the U.K. have done so.
- Fewer than one-half of organisations maintain risk inventories at an enterprise level.

3

Changes in risk management processes may be on the horizon as expectations to strengthen risk management processes are now emerging from boards of directors and CEOs/Presidents.

- Calls for increased risk management appear to be especially strong for organisations outside the U.S.
- Calls for enhanced risk oversight are equally strong between boards and CEOs/Presidents, and those calls are occurring even when outside pressures from regulators are not as strong.

4

Opportunities exist for most organisations to strengthen their integration of risk insights into strategic decision-making.

- For many organisations, their risk oversight and strategic planning efforts appear to be separate and distinct activities.
- Fewer than half believe their risk management process provides important strategic advantages, and that percentage is noticeably lower for organisations in Europe & the U.K. and the U.S.
- Only about one-half of organisations believe their risk management processes are focused on emerging strategic, market, or industry risks.

5

An organisation's overall culture may be limiting progress towards more value-added risk management.

- There are a number of potential barriers within organisations that may limit progress towards enhancing risk management processes.
- Fewer than one-third of organisations have provided formal training and guidance on risk management.

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KEY CONSIDERATIONS FOR EXECUTIVES

These five themes highlight a number of realities about risk management processes in organisations around the globe. The remainder of this report provides more detailed analyses of specific aspects of risk management practices that business leaders can use to identify potential opportunities for improvement.

Business leaders may find it helpful to use these considerations to evaluate their organisation's preparedness for managing the rapidly evolving risk landscape. Key discussion items include:

- How **prepared** was your organisation to navigate the consequences of the global pandemic? To what extent did management give the likelihood and consequences of a pandemic any consideration before its occurrence? Was your risk management playbook at a level management would prefer when the next major risk event occurs?
- To what extent have your core business operations and strategic plan been **permanently altered** to a "new normal" and is management's understanding of risks related to those changes sufficient to ensure the entity's continued success? What assumptions are being made by management about the organisation's capabilities for success?
- How are growing levels of uncertainties triggering a growing volume of risks that management must manage and is the **emergence of risks** affecting your core business increasing at a faster pace?
- Would most members of your executive team describe your organisation's risk management process as an important contributor to the entity's **strategic success**? If not, what needs to be done to strengthen the intersection of risk management and strategic planning, given risk and return are interconnected realities?
- What risk management **processes** did management implement during the pandemic that were not done before? What can be done to preserve some of the positive risk management benefits realised as your management team came together to navigate the pandemic? To what extent is management more comfortable being transparent and open about risks on the horizon for your organisation? How can you preserve that?
- How robust is your organisation's dashboard **reporting** system in helping management monitor emerging risk conditions? Do you have sufficient key risk indicators along with key performance indicators and have thresholds been identified to know when risk information should be escalated to higher levels of management?
- Who among the management team is serving as the risk management **champion** for your organisation? Might the lack of clear leadership and visioning about the strategic role of risk management be limiting the value coming from your risk management processes?

The rest of this report provides a number of detailed insights about the state of enterprise risk management practices in organisations around the world. At the end of the report are questions that boards of directors and senior executives may want to discuss as they seek to strengthen their understanding of risks most critical to the achievement of their strategic objectives.

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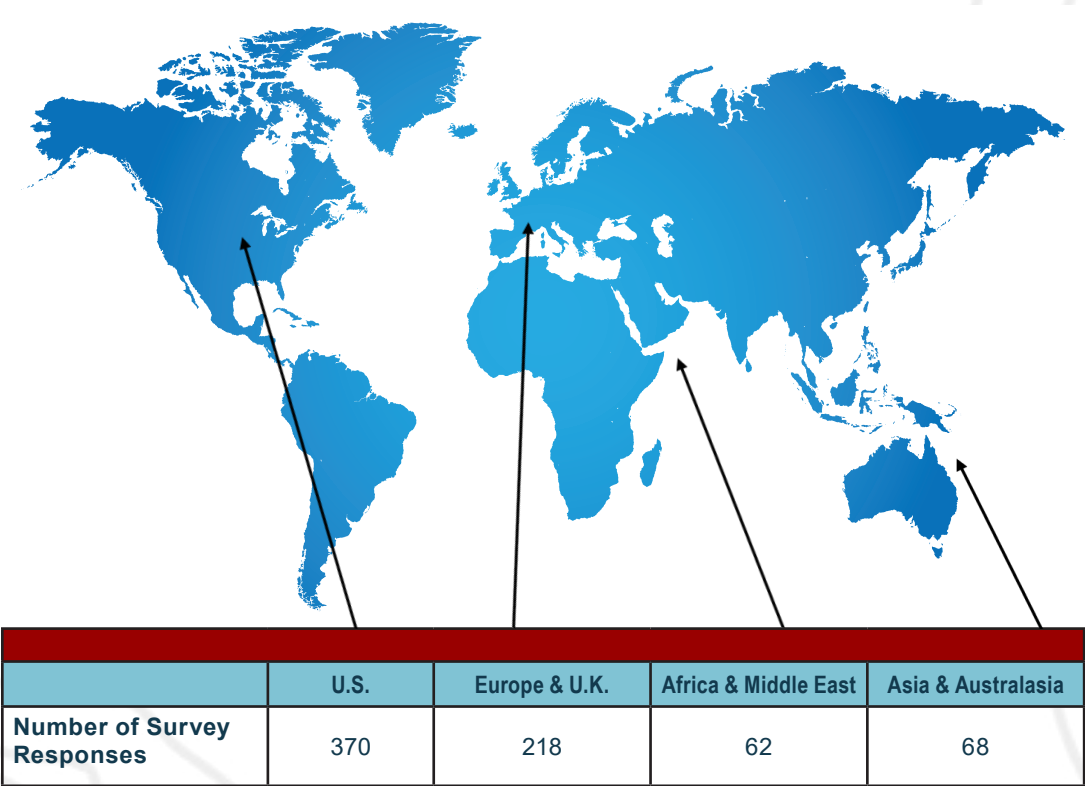
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GLOBAL INPUT TO RESEARCH

The COVID-19 pandemic has illustrated to business leaders of organisations of all industries, types, sizes, and geographies that a low-probability, single root-cause event can trigger a cascade of interconnected risks all across an organisation. No business has been immune to some kind of risk triggered by the pandemic, with many organisations impacted significantly and, unfortunately, catastrophically for some. Many business leaders who previously saw little value in investing in some kind of risk management process or spending time engaging in regular, robust risk-focused conversations with their key leaders are now realising the need to rethink how they approach risk management and increase the resiliency of their organisation to continual risks that will emerge.

In response to these shifts in expectations, many organisations are turning to enterprise risk management (ERM) or equivalent processes to strengthen their top-down view of the enterprise’s portfolio of risks most likely to impact their strategic success. Many are more convinced now than ever before that there is strategic value in having risk intelligence that they can use to make strategic decisions and they are exploring enhanced enterprise-wide risk management processes to increase their insights about risks that may emerge.



Because the business climate differs in various regions of the world and the resulting expectations for more enhanced risk oversight may also differ, the current state of enterprise risk oversight practices may not be the same worldwide. Using an online survey, 718 business leaders across four core regions of the world provided us input that allows us to analyse differences in the current state of ERM practices around the globe. The above chart provides the breakdown in geographic regions represented in this study.

About half of the respondents serve in senior accounting and finance roles, with the remaining representing a variety of management positions. A range of industries is represented, with no industry comprising more than 29% of respondents in any given region. Over two-thirds of the respondents are from organisations with annual revenues (converted to USD) of \$500 million or below. See the Appendix for the full sample demographics.

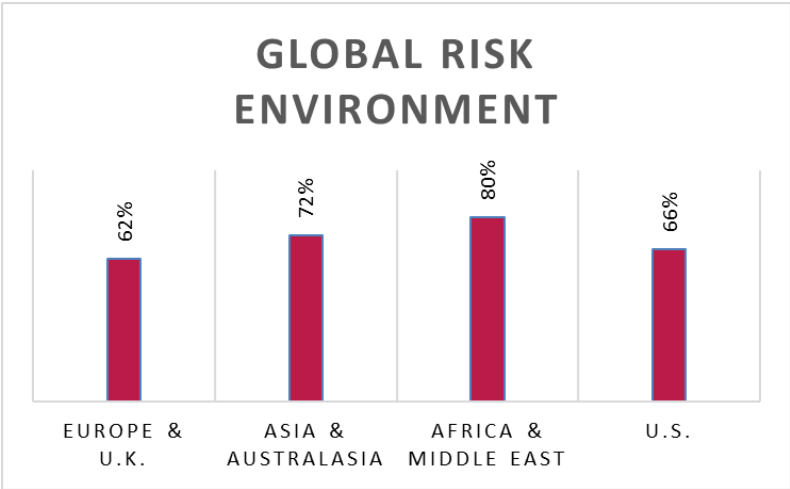
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PERCEPTIONS ABOUT RISKS IN THE BUSINESS ENVIRONMENT

Respondents indicate that the business environments affecting all organisations include numerous complex and interconnected risks. They overwhelmingly believe that the volume and complexities of risks they face today have increased “mostly” to “extensively” over the past five years and that is true for all regions of the world. As shown by the bar graph below, at least 60% or more of respondents from all over the world indicate that the volume and complexity of risks have increased “mostly” or “extensively,” suggesting that no particular region of the world appears to be noticeably less risky. This finding is not surprising given the global marketplace in which most organisations conduct their business. As entity operations become more global, they face a multitude of risks across the globe.

Organisations around the world face a similar volume and complexity of risks – no region is uniquely different in that perception.



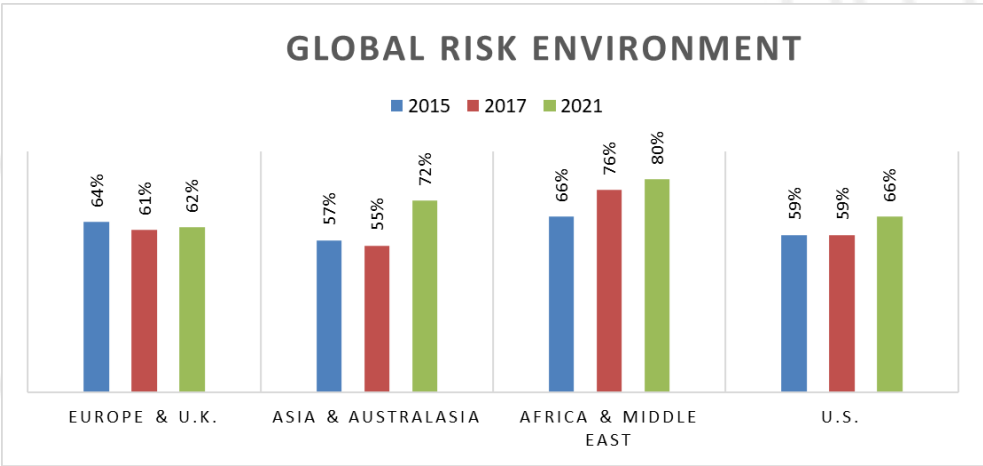
To what extent has the volume and complexity of risks increased in past five years?

Percentage responding “mostly” to “extensively”

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Our prior two studies released in 2015 and 2017 also captured respondent views about the overall risk environment for the four geographic regions. As indicated by the chart below, while COVID-19 has massively disrupted virtually all organisations around the world, it is interesting to note that even prior to the pandemic, business leaders sensed an overwhelming volume and complexity of risks impacting their organisations. Overall, the combined results from our most recent three studies suggest that risk management does not appear to be getting easier over time.



Clearly, COVID-19 has impacted all organisations: none were immune to the numerous disruptions imposed by a global pandemic. For most regions of the world, COVID-19 has changed the nature of top risks affecting most organisations, especially for entities outside the U.S.

To what extent has COVID-19 changed the nature and type of your organisation's top risks since the prior year?	
Percentages reflecting "mostly" to "extensively"	
63% Europe & U.K.	74% Africa & Middle East
66% Asia & Australasia	45% United States (U.S.)

In particular, COVID-19 has dramatically disrupted strategic decisions about the entity's overall business model and strategic plan for organisations in Asia & Australasia and in Africa & the Middle East.

To what extent is the ongoing uncertainty triggered by the pandemic situation delaying key decisions about the organisation's business model and new strategic initiatives?	
Percentages reflecting "mostly" to "extensively"	
39% Europe & U.K.	65% Africa & Middle East
53% Asia & Australasia	25% United States (U.S.)

The impact of COVID-19 will be long-lasting. The thought of returning to what once was viewed as "normal" operations is no longer realistic. Most organisations have been forced into new ways of doing business that are now becoming the "new normal". That is especially true for organisations in Africa & the Middle East.

	Percentages Reflecting "Mostly" and "Extensively"			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
To what extent will the nature of your organisation's core business model be changing for the long-term as a result of COVID-19?	24%	37%	60%	20%

Respondents reveal that most organisations have "mostly" or "extensively" experienced a significant operational surprise in the past five years. In some ways these percentages seem somewhat low given the impact of COVID-19; however, when the respondents completed our survey they were several months into dealing with the pandemic and thus may now be comfortable with the "new normal." The rate of operational surprise was slightly lower for organisations in Asia & Australasia. Collectively, these results suggest that the volume and complexity of risks are significant and often those risks translate into unexpected risk events affecting the core operations of the organisation, with no region of the world unaffected.

	Percentages Reflecting "Mostly" and "Extensively"			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
To what extent has your organisation faced an operational surprise in the last five years?	53%	47%	58%	53%

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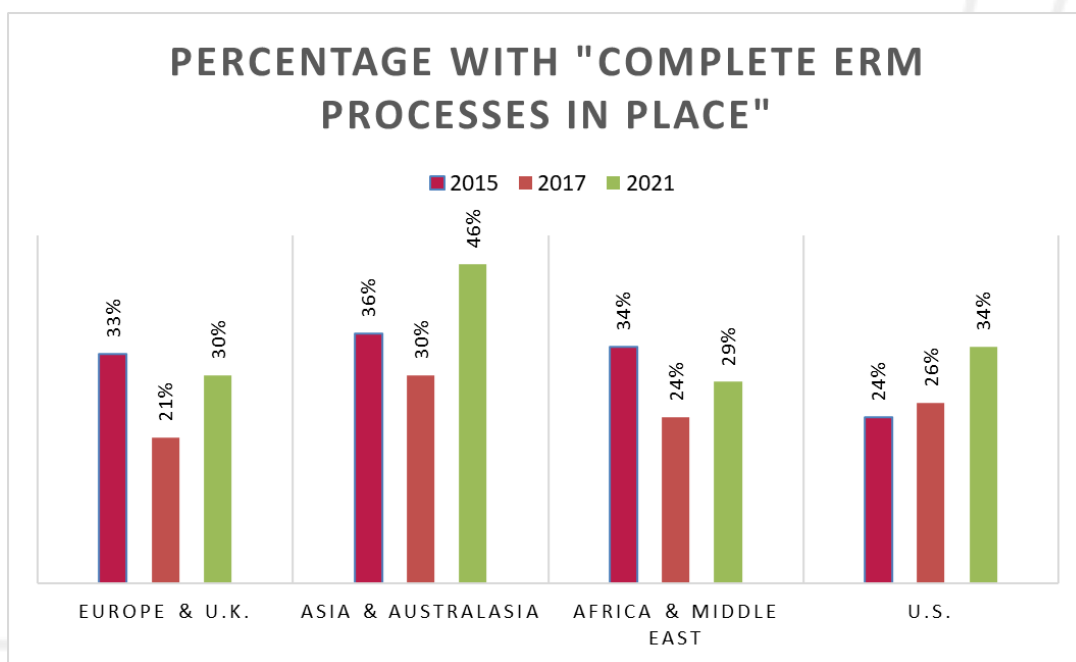
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ROBUSTNESS OF ENTERPRISE RISK OVERSIGHT

As organisations face the realities of an increasingly complex risk environment, and as they deal with the challenges of having to react to significant operational surprises, they are faced with the fact that their current approach to risk oversight may be insufficient to deal with rapid changes in the nature and types of risks they are likely to encounter in the near future. We asked respondents the extent to which their organisations have embraced the concept of enterprise risk management (ERM).



Respondents indicate that the current state of embrace of ERM remains relatively immature around the world, with between one-third to one-half of the organisations claiming to have a “Complete formal enterprise-wide risk management process in place.” Our prior two studies released in 2015 and 2017 also captured respondent views about the embrace of complete ERM processes. In general, we are seeing some increase in the embrace of complete ERM practices over that time period for certain regions, although there is significant room for advancement in the overall risk management processes for all four geographic regions.



An important insight from the bar graph above is that the state of embrace of “complete” ERM process is that there are challenges that may be restricting progress in risk oversight over time. Perhaps, organisations perceive that their current approaches to risk oversight are sufficient within the context of the organisation’s business environment. However, that potential explanation is a bit surprising given that we saw on the previous pages a recognition by respondents that COVID-19 has had a drastic impact on their business operations and that the volume and complexities of risks their organisations face are increasing and leading to significant operational surprises.

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The overwhelming majority of management respondents believe their current risk oversight processes are relatively immature.

Interestingly, most respondents do not believe their risk management oversight is “Mature” or “Robust.” For most regions of the world, between a quarter and one-third of respondents describe their organisation’s risk maturity that way, with about 40% of respondents in Asia & Australasia describing their process at as mature or robust.

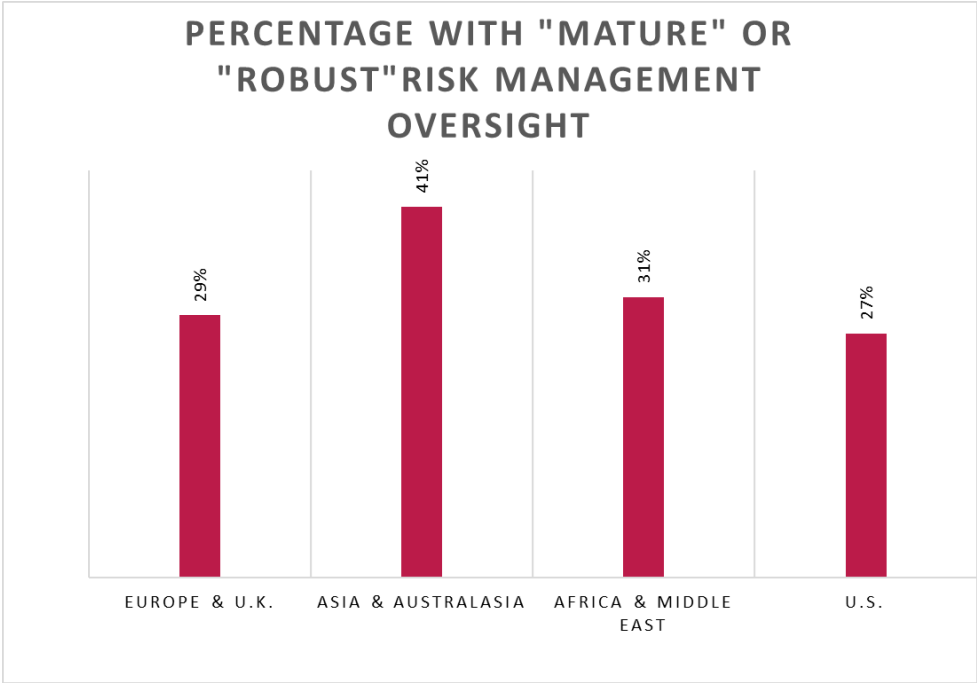


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We also asked a different question about whether their ERM processes are “systematic, robust, and repeatable with regular reporting of top risk exposures to the board.” Noticeable differences exist in responses between Asia & Australasia respondents and respondents from all other parts of the world to that question.

Percentage of organisations describing their ERM process as “systematic, robust, and repeatable with regular reporting of top risk exposures to the board.”	
Percentages reflecting “mostly” to “extensively”	
43% Europe & U.K.	40% Africa & Middle East
62% Asia & Australasia	41% United States (U.S.)

As illustrated by the data, we used different questions in an attempt to gather information about the relative state of risk management sophistication. Collectively, the responses seem to indicate that there is significant room for strengthening an organisation’s approach to managing risks affecting the enterprise in light of the complex global business environment.

The experience of having to deal with the massive uncertainties triggered by COVID-19 are prompting many business leaders to rethink their organisation’s approach to risk management. That is especially true for organisations in Asia & Australasia and in Africa & the Middle East, where two-thirds to three-fourths of respondents indicate that their senior leadership team is calling for more enhanced risk management processes in light of the ongoing pandemic. Similar calls are less frequent for organisations in Europe & the U.K. and in the U.S.

	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
In light of the ongoing pandemic, to what extent will your organisation’s senior leadership team be calling for more enhanced risk management processes?	38%	60%	73%	31%
To what extent do you believe there will be significant changes in your organisation’s approach to business continuity planning and crisis management?	35%	59%	69%	32%

Many organisations are rethinking their approaches to business continuity planning and crisis management. Those plans have been significantly tested over the past two years revealing gaps and deficiencies in those processes for many organisations. Business leaders are realising that they need to elevate business continuity and resiliency processes from specific pockets of their operations, such as IT continuity or supply chain continuity to an enterprise level that integrates continuity planning across all business functions of the organisation.

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INTEGRATION OF RISK MANAGEMENT AND STRATEGY

Most executives appreciate the reality that organisations must take risks to generate returns. To get a sense for the strategic importance of their organisation’s risk oversight processes, we asked respondents about the extent their organisation’s risk management processes provide important strategic value. Unfortunately, for many organisations, their risk oversight and strategic planning efforts appear to be separate and distinct activities.



Globally there is a disconnect between enterprise risk oversight and strategy execution.

There is noticeable variation among respondents who believe their risk management processes “Mostly” or “Extensively” provide unique competitive advantage. A higher percentage of respondents in Asia & Australasia and Africa & Middle East believe their risk oversight is providing important competitive advantage. This is in contrast to a much smaller percentage in Europe (8%) and in the U.S. (11%). These findings suggest that the integration of risk management and strategic decision making is lacking. If business leaders truly embrace the reality that risk and return are interconnected, they should seek to reposition their approaches to risk management to reposition it to focus on those risks most important to the entity’s strategic success. Rich insights about emerging risks should inform management’s strategic decision making. If the risk management process is not generating that kind of insights, perhaps a re-evaluation of their systems of risk management may be warranted.

	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Respondents stating that the risk management process “Mostly” or “Extensively” provides unique competitive advantage	8%	41%	32%	11%

As summarised in the table below, between one-half and two-thirds of the respondents believe that their senior executive teams consider existing risk exposures when evaluating possible new strategic initiatives, with higher percentages reported by respondents in Asia & Australasia and in Africa & the Middle East. Interestingly, a similar belief exists for only 49% of U.S. organisations.

	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Extent risk exposures are considered when evaluating possible new strategic initiatives	55%	68%	66%	49%

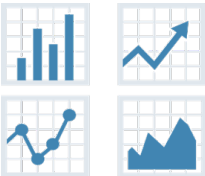
What is puzzling is why respondents indicate at higher rates that management considers risk exposures when evaluating possible new strategic initiatives, but on an overall basis they do not believe their risk management processes provide strategic competitive advantage. Perhaps the relative immaturity of the organisation’s risk management processes described previously suggests that the considerations of risks in the context of strategic decisions remains informal and ad hoc, which limits risk management’s ability to contribute significant insights to the strategic planning and execution activities. As indicated by the chart at the right, only about half of organisations have risk management processes that identify, assess, and respond to emerging strategic/market/industry risks. In order for risk management processes to provide strategic value, those processes should focus on emerging strategic/market/industry risks in all organisations.

Extent the risk management process identifies, assesses and responds to emerging strategic/market/industry risks	
Percentages reflecting “mostly” to “extensively”	
44% Europe & U.K.	47% Africa & Middle East
53% Asia & Australasia	50% United States (U.S.)

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METRICS TO MONITOR TOP RISKS



In order for the risk management process to provide strategic value, management needs output from those processes that they can use to strategically respond to emerging risks. We asked respondents to indicate the level of robustness of the nature and extent of key risk indicators related to the entity’s top risk exposures.

There are opportunities for improvement in developing strategic decision-driven metrics that help business leaders identify and keep an eye on shifts in top risks. About one-half of organisations outside the U.S. describe their metrics for monitoring risks as “mostly” to “extensively” robust, while only 30% of respondents in the U.S. describe their risk metrics at that level.

	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Respondents who indicate that the nature and extent of key risk indicators (KRIs) regarding the entity’s top risk exposures is “Mostly” to “Extensively” robust	43%	51%	48%	30%

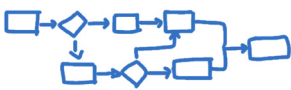
The lack of useful key risk indicators focused on emerging risks may explain why respondents generally do not believe that their organisation’s risk management processes are providing strategic value. Without effective KRIs, management is forced to react to risks to their businesses rather than proactively manage those risks for strategic value creation.

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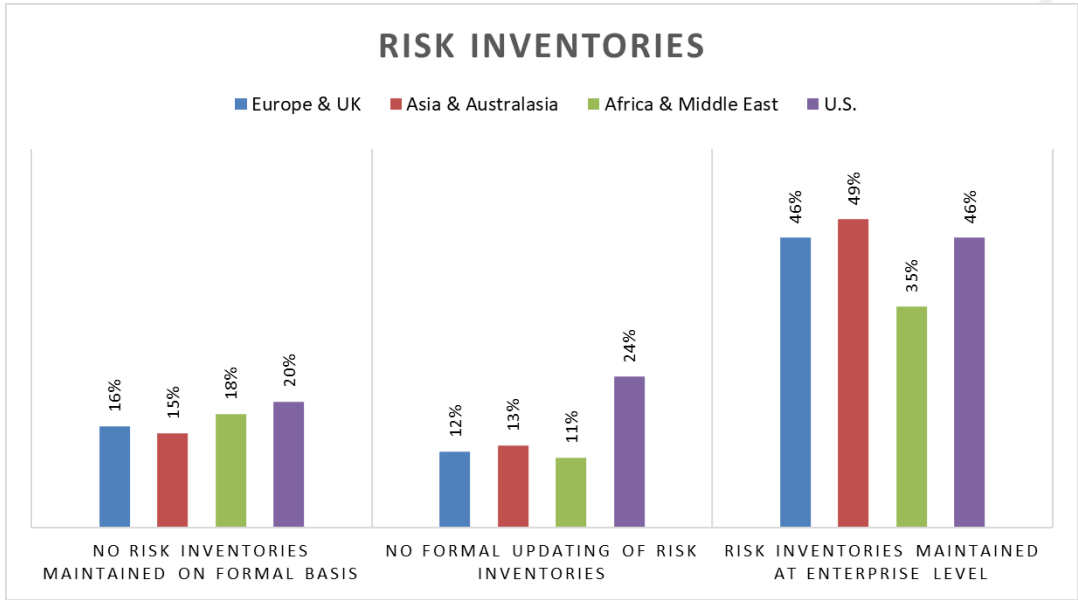
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EXISTING RISK IDENTIFICATION PROCESSES

Digging more deeply into the underlying risk identification and risk assessment processes helps to provide some insight into differences in overall risk oversight maturity. We asked a number of questions about techniques used to identify, assess, and monitor key risk exposures.



Approximately one-fifth or less of organisations in all regions of the world do not maintain risk inventories/registers of their top risk exposures. Similar results are observed when respondents were asked if their organisations have formal processes to update key risk inventories/registers. U.S. organisations answered “no” to that question more often than respondents in other regions of the world.



Less than one-half of organisations across all regions of the world maintain risk inventories at the enterprise level. That finding may help explain why risk management is failing to provide significant strategic value. If management lacks awareness of what risks are on the horizon, they are less likely to be able to proactively navigate risks that may emerge. The lack of insights about potential risks that may occur means they are forced into a defensive, reactive stance to manage risks after they already occur. In contrast, an awareness of the inventory of top risks may provide helpful insights that management can use to proactively make risk-informed strategic decisions.

Competitors with more sophisticated risk intelligence are in a better position that allows them to be more agile and nimble as they respond to shifts in risk conditions. Sooner or later, that may lead to significant market advantage for those with more robust risk information at hand.

In regard to formal policy statements, organisations in Asia & Australasia and in Africa & the Middle East are more likely to have formal policy statements as compared to organisations in Europe & the U.K. or in the U.S. About two-thirds of the organisations in Asia & Australasia and in Africa & the Middle East have a formal policy statement regarding its enterprise-wide approach to risk management as compared to just under one-half of European & U.K. organisations and just over one-third of organisa-

	Percentages Responding “Yes”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Organisation has a formal policy statement regarding its enterprise-wide approach to risk management	45%	66%	60%	39%
Organisation has formally defined the meaning of the term “risk” for employees to use when identifying and assessing key risks	56%	71%	69%	48%

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tions in the U.S. Additionally, the majority of organisations outside the U.S. have formally defined the meaning of the term “risk” for employees to use when identifying and assessing risks, while only 48% of U.S. organisations have done so.

Most organisations (just over two-thirds) claim to have a standardised process or template for identifying and assessing risks, except for those in the U.S. where only 55% do so. Organisations in Asia & Australasia and in Africa & the Middle East are more likely (compared to those in Europe & the U.K. or in the U.S.) to provide management with explicit guidelines to help them assess the probability of a risk event.

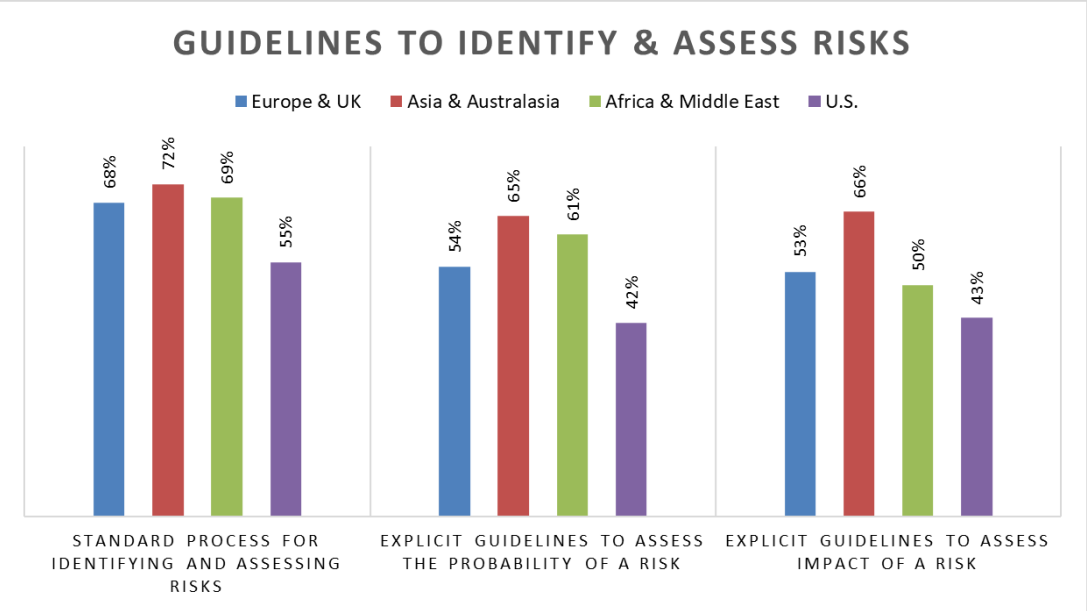


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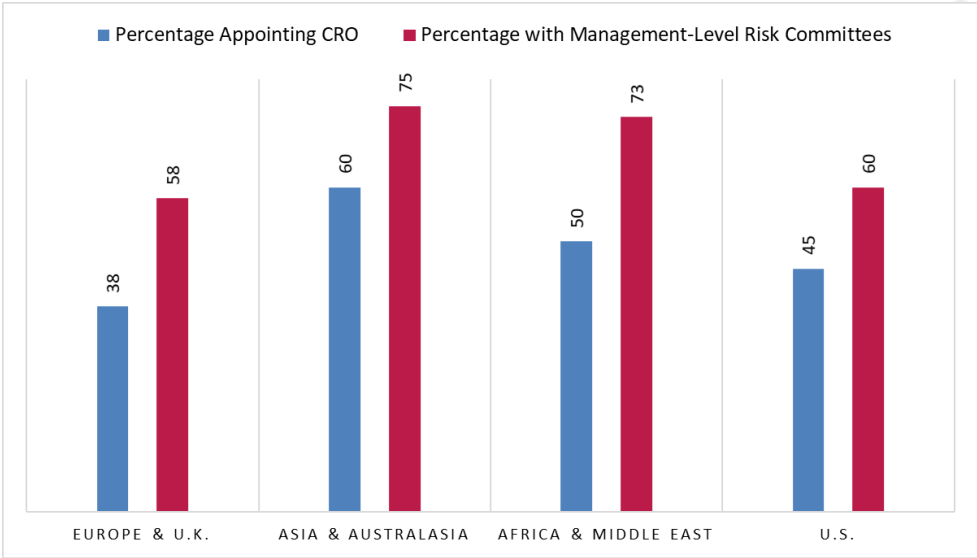
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INTERNAL RISK LEADERSHIP

Organisations are much more likely to have created a management-level risk committee than they are to have appointed an individual to serve as the chief risk officer (CRO) or senior risk executive equivalent. Management-level risk committees are especially prevalent in organisations in Asia & Australasia and in Africa & the Middle East. Organisations in Europe & the U.K. are least likely to have appointed someone to serve as CRO or equivalent. For those organisations that have internal risk committees or equivalent, most (at least over 70% of them) meet on a quarterly basis or monthly basis.



PERCENTAGE WITH CRO OR MANAGEMENT RISK COMMITTEE



Risk exposures are even less likely to be a factor in compensation/remuneration evaluations. Most organisations do not include risk management activities as an explicit component in determining management performance compensation/remuneration. Organisations in Asia & Australasia and in Africa & Middle East are more likely to do so than organisations in other parts of the world.

	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Extent risk management activities are an explicit component in determining management performance compensation/remuneration	22%	38%	37%	14%

Few respondents indicate that there has been extensive effort to train executives and key business unit leaders about key aspects of enterprise risk management. Less than one-third of organisations around the world have provided much, if any, formal training and guidance on risk management in the past two years.

Most organisations (between 70% to 80%) have not focused on providing executives formal training or guidance on risk management in past two years.

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Extent senior executives and key business unit leaders have received formal training and guidance on risk management in the last 2 years	
Percentages reflecting “mostly” to “extensively”	
20% Europe & U.K.	29% Africa & Middle East
32% Asia & Australasia	19% United States (U.S.)

MOVES TO STRENGTHEN ENTERPRISE RISK OVERSIGHT

Respondents noted that several parties are asking for increased senior executive involvement in risk oversight, suggesting that the status quo is no longer acceptable. Pressure is mostly coming from the full board of directors and the audit committee. But, members of senior management, including the CEO/President, are also calling for stronger and more effective risk oversight in a reaction to pressures emerging from the board of directors or audit committees.



What is interesting is that the calls for increased oversight appear to be more frequent for organisations outside the U.S. The table below shows that respondents in all regions note that their board of directors is calling for increased senior management engagement in risk oversight, although that is occurring less in U.S. organisations. Interestingly, the calls for enhanced risk oversight are also coming from the CEO/President at levels similar to the levels of calls from the board. Regulatory pressure is less significant compared to the board and senior management, suggesting that boards and CEOs see value in risk management regardless of expectations for risk management coming from regulators.

	Percentages Reflecting “Mostly” and “Extensively”			
Extent each of the following parties is asking for increased senior executive involvement in risk oversight?	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Board of Directors	47%	60%	60%	35%
Audit Committee	42%	59%	58%	34%
CEO/President	40%	63%	66%	42%
Regulators	31%	44%	44%	20%

We asked whether the organisation’s board of directors has assigned formal responsibility for overseeing management’s risk oversight processes to one of its board committees. As shown by the bar graph below, the majority of boards of directors appear to be doing so, especially for organisations outside the U.S.

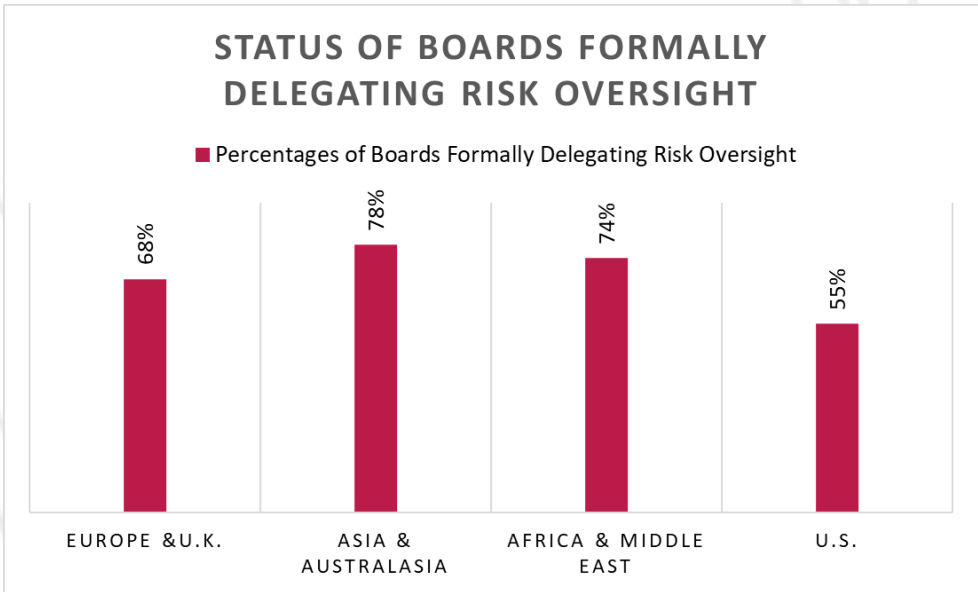
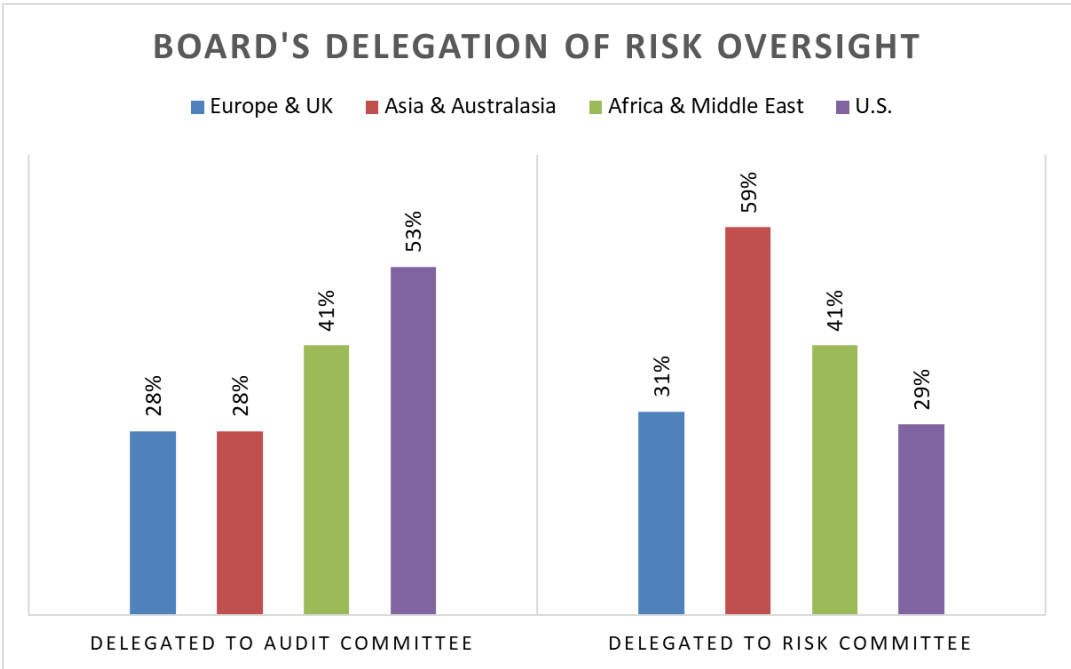


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But, when making these assignments, U.S organisations are most likely to formally assign risk oversight responsibility to the audit committee. In contrast, Asia & Australasia organisations are more likely to assign responsibility to a separate risk committee of the board.



There is a noticeable difference between organisations in the U.S. and in Europe & the U.K. relative to organisations in other parts of the world in the extent to which top risk exposures are formally discussed when the board discusses the organisation’s strategic plan. Only 30% of respondents in the U.S and only 41% of respondents in Europe & the U.K. indicated that the extent of such discussions was happening “Mostly” to “Extensively.” In contrast, the percentages of organisations in Asia & Australasia and in Africa & the Middle East that formally discuss information generated by the organisation’s ERM processes when assessing the strategic plan is much higher at 56% and 52%, respectively.

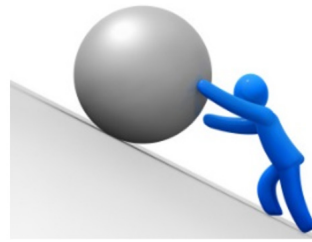
To what extent is the risk information generated by your organisation’s ERM process formally discussed when the board of directors discusses the organisation’s strategic plan?	
Percentages reflecting “mostly” to “extensively”	
<div>41%</div> <div>Europe & U.K.</div>	<div>52%</div> <div>Africa & Middle East</div>
<div>56%</div> <div>Asia & Australasia</div>	<div>30%</div> <div>United States (U.S.)</div>

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ADDRESSING BARRIERS TO ENTERPRISE RISK OVERSIGHT

The relative level of immaturity and robustness of enterprise risk oversight in organisations around the world is likely attributable to the presence of several perceived barriers to enterprise risk oversight. These barriers may be restricting progress in strengthening an organisation's overall approach to risk oversight. Several barriers are noted as being a "Barrier" or a "Significant Barrier."



All organisations around the globe face barriers to advancing their risk oversight. Organisations in Asia & Australasia and in Africa & the Middle East are most hindered by the perception that they do not have sufficient resources to ensure the process is effective. Those in the Europe & the U.K. face the perception that ERM will add unnecessary bureaucracy and those in the U.S. face the perception that ERM might distract management from more important competing priorities.

Collectively, these findings suggest that executives interested in strengthening their organisation's overall risk oversight face perceived barriers that they will need to overcome. Part of their efforts may need to be centered on communication and education to help articulate the value proposition for investing in more enhanced enterprise risk oversight for strategic success. And, they may need to focus on integrating their risk oversight efforts with their strategic planning efforts to address the earlier reported findings that organisations are struggling to connect risk oversight with strategic planning and value-creating efforts. The more executives realise the strategic value of enterprise-level risk information, the more they will be willing to engage in important risk management processes. Helping executives recognise how robust risk insight increases the organisation's ability to be agile and resilient, the greater progress they can make in expanding their risk oversight infrastructure.

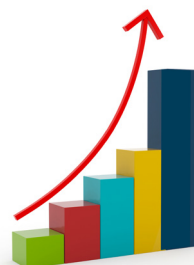
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	Percentages Reflecting "Barrier" or "Significant Barrier"			
Perceived Barriers to Effective ERM	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Competing priorities	29%	24%	35%	40%
Insufficient resources	33%	44%	48%	39%
ERM perceived as unneeded bureaucracy	23%	25%	24%	26%
Lack of perceived value	25%	29%	34%	28%

QUESTIONS FOR DISCUSSION

Given the rapid pace of change in the global business environment, more organisations are realising that status quo risk management will likely lead to failure and significant missed opportunities. As senior executives evaluate their organisation's overall approach to risk oversight, here are a few questions they may want to consider:



1. If asked to describe the organisation's **approach to risk management**, what explicit processes would be highlighted? How would the description vary if individual members of the board or senior management are asked to respond?
2. Who among the management team would be viewed as the **leader** of the organisation's processes to oversee the risks on the horizon?
3. To what extent does management's **identification** of key risks tend to focus on already "known" or well-understood risks? To what extent is the risk management process helping management identify "unknown, but knowable" risks?
4. Is there a consensus view among the board of directors and senior management about what constitutes the **top 10-15** most important risks on the horizon for the organisation?
5. How much is the information output generated by the risk management process used as an important input to the **strategic planning** process? That is, does the strategic planning process evaluate the nature and extent of risks identified by the risk management process when evaluating strategic alternatives?
6. What do recent risk events experienced by the organisation suggest about the **effectiveness** of the organisation's risk management processes?
7. To what extent is senior management and the board able to identify the organisation's current responses for the top 10-15 risks to enterprise? How does management determine the **effectiveness of those responses**?
8. To what extent does management's information **dashboard** include key risk indicators in addition to key performance indicators?
9. To what extent does the organisation's **culture** encourage the escalation of risk issues from middle management to senior management and the board of directors? How might training on risk management help key business leaders across the organisation understand the importance of raising awareness of risk issues?
10. Where are the biggest **vulnerabilities** in the organisation's risk management processes?

Those that embrace the reality that risk and return are related are likely to increase their investment in enterprise risk oversight to strengthen the organisation's resiliency and agility when navigating the complex risk landscape on the horizon.

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SUMMARY

This report aims to help organisations benchmark their relative risk oversight maturity and to highlight opportunities to enhance the strategic value of their risk oversight efforts. Business leaders who embrace the reality that risk and return are interrelated are likely to increase their investment in enterprise risk oversight to strengthen the organisation’s resiliency and agility when navigating the complex risk landscape on the horizon. Organisations must enhance enterprise risk oversight on a number of fronts by building robust processes, competencies and capabilities as well as making effective use of data to inform their efforts. Those organisations that adopt such an integrated approach are in a good position to transform risk management into a source of competitive advantage.

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APPENDIX: DEMOGRAPHICS OF SURVEY RESPONDENTS

NUMBER OF RESPONDENTS BY REGION

	Number			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Number of Survey Respondents	218	68	62	370

MANAGEMENT TITLES FOR RESPONDENTS

Titles	Percentages			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
Chief Financial Officer or Finance Director	56%	38%	42%	23%
Controller	8%	13%	5%	13%
Treasurer	2%	3%	2%	2%

INDUSTRIES REPRESENTED

Industries	Percentages			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
For-Profit Entities				
Manufacturing	25%	25%	13%	13%
Finance, Insurance, Real Estate	10%	24%	29%	26%
Services	22%	13%	27%	13%
Wholesale Distribution	6%	6%	8%	6%
Construction	2%	2%	0%	6%
Retail	6%	1%	0%	3%
Transportation	6%	3%	2%	3%
Mining	1%	3%	3%	2%
Agriculture, Forestry, Fishing	0%	3%	3%	1%

SIZE OF ORGANISATIONS REPRESENTED

Range of Revenues in Most Recent Fiscal Year (Reported in USD)	Percentages			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
\$0 < x < \$10 million	27%	13%	20%	15%
\$10 million < x < \$100 million	38%	32%	40%	23%
\$100 million < x < \$500 million	10%	22%	20%	17%
\$500 million < x < \$1 billion	8%	16%	11%	13%
\$1 billion < x < \$2 billion	2%	5%	4%	7%
\$2 billion < x < \$10 billion	9%	9%	4%	14%
x > \$10 billion	6%	3%	1%	11%

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The ERM Initiative at NC State University is pioneering thought-leadership about the emergent discipline of enterprise risk management, with a particular focus on the integration of ERM in strategy planning and governance. The ERM Initiative conducts outreach to business professionals through executive education and its internet portal (www.erm.ncsu.edu); research, advancing knowledge and understanding of ERM issues; and undergraduate and graduate business education for the next generation of business executives.