

2022

# GLOBAL STATE OF ENTERPRISE RISK OVERSIGHT

**Managing the Rapidly Evolving Risk Landscape**

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The level of uncertainty business leaders face as they lead the strategic direction of their organisations continues to grow at an amazing rate. That uncertainty leads to a wide range of ever-evolving risks that can suddenly emerge, derailing the organisation's value-adding pursuits. Geopolitical shifts, supply chain disruptions, competition for talent, the exponential growth in volumes of data, climate change concerns, in addition to the lingering effects of a global pandemic, are examples of the wide-range of complex risk challenges that senior executives must navigate as they lead their organisations into the future. Most experts believe the complexities of these risks will continue to escalate over time.

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. 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.

This report includes insights about the current state of risk management processes around the globe based on our surveys of executives about how their organisations approach risk oversight. This report summarises insights from 747 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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Five overarching themes emerge from the data analysed in this report:

**Business leaders overwhelmingly perceive that the volume and complexities of risks they face are increasing extensively; however, most do not describe their risk management process as mature or robust.**

- The volume and complexity of risks is increasing in all regions of the world with most organisations experiencing unexpected operational surprises.
- 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.

1

**Most organisations struggle to integrate their risk management and strategic decision making activities, leading to a perception that risk management does not provide competitive advantage.**

- 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.

2

**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 limit progress towards enhancing risk management processes.
- Most organisations do not include explicit risk management responsibilities in performance compensation plans.
- Fewer than one-third of organisations have provided formal training and guidance on risk management.

3

**Needs for more advanced risk oversight are becoming obvious.**

- Less than half of most organisations have regular and robust reporting of top risks to the board on an ongoing basis.
- Organisations acknowledge the need to strengthen their business continuity planning processes, particularly those in Asia & Australasia and Africa & the Middle East.
- Calls for enhanced risk oversight are equally strong between boards and CEOs/Presidents, and those requests are occurring even when outside pressures from regulators are not as strong.

4

**Risk management practices may not be keeping pace with speed of risk emerging in today's global environment.**

- 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.

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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:

1. Is our organisation's approach to risk management providing **robust risk insights** useful for strategic decision making?
2. To what extent has our leadership team been **blindsided by unexpected risks** that management failed to see in advance?
3. Would most of our leadership team describe our approach to risk management as **ad hoc and informal**? How would the description vary if individual members of the board or senior management are asked to respond?
4. Who among the management team would be viewed as the **risk champion** helping to advise and coach our leadership team in the oversight of risks on the horizon? Does a lack of risk leadership hinder our risk management effectiveness?
5. 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?
6. Does senior management have consensus about what constitutes the **top risks** most important to our organisation?
7. How is our senior management team **integrating risk perspectives into our strategic planning**, budgeting, or capital allocation processes? Are top risks 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?
8. How confident is senior management that the organisation's current responses to its top risks are in place and effective? Do we have a clear understanding of root causes of our top risks and are **responses designed to help prevent root causes** from emerging? For risks we cannot prevent, do we have **responses in place to minimise the impact** should the risk occur?
9. To what extent does management's information dashboard include **risk metrics** that help us monitor the potential escalation of risks over time?
10. To what extent does our organisation's leadership encourage honest and **transparent 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?

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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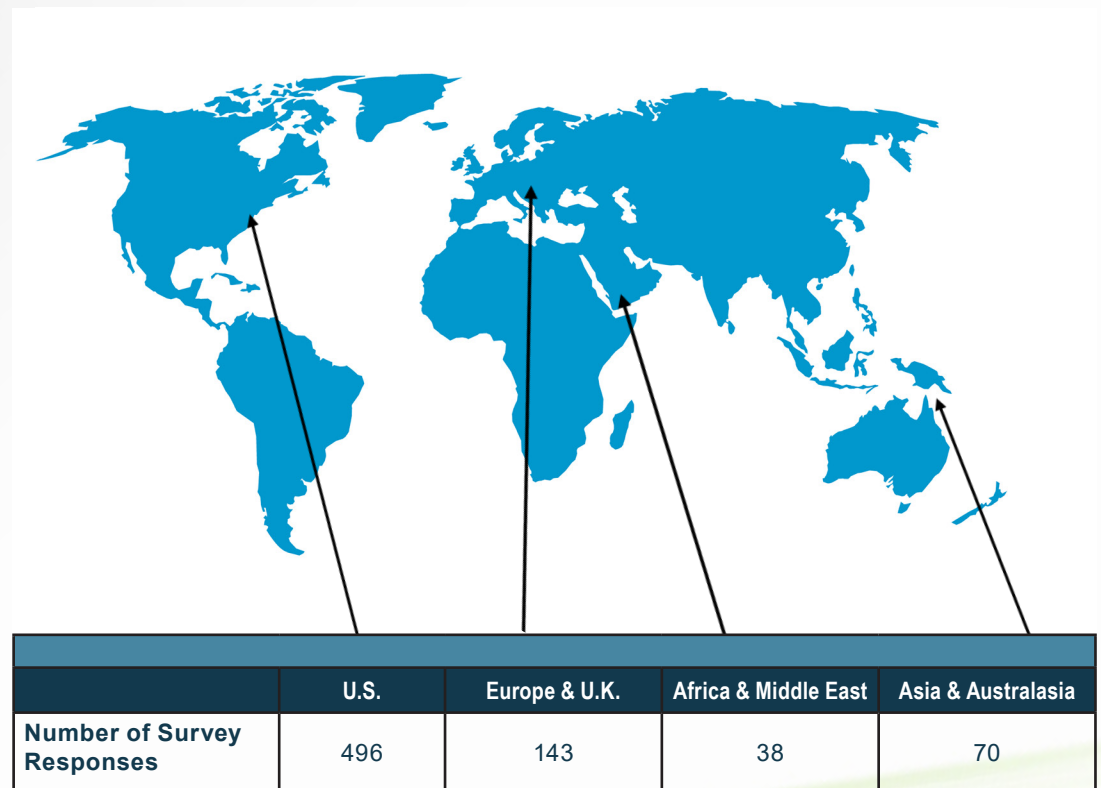
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The ongoing conflict in the Ukraine, never-ending cyber threats coupled with ransomware demands, escalating concerns about energy sources, high inflation, unexpected competition, and competition for talent are examples of risk drivers that organisations must navigate on a day-to-day basis. 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 address continual risks that will emerge. Many are realizing that risk management is not becoming easier as time goes on.

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. Business leaders are becoming more convinced now than ever before that there is strategic value in having dynamic risk management processes that provide 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.

The business climate in various regions of the world and expectations for more enhanced risk oversight are likely to differ around the globe. Thus, the current state of enterprise risk oversight practices may not be the same worldwide. Using an online survey, 747 business leaders across four core regions of the world provided us input allowing us to analyse differences in the current state of ERM practices around the globe. The chart to the right 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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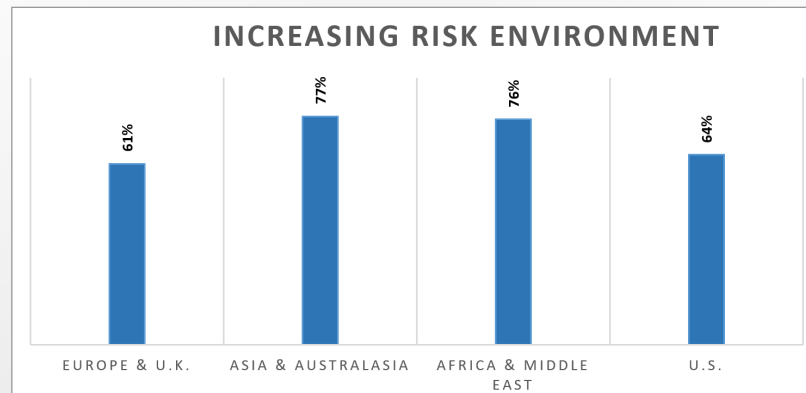
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# PERCEPTIONS ABOUT RISKS IN THE BUSINESS ENVIRONMENT

The realities of a complex risk environment is well understood by executives from around the world, with no region immune to the ongoing risk challenges. 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.

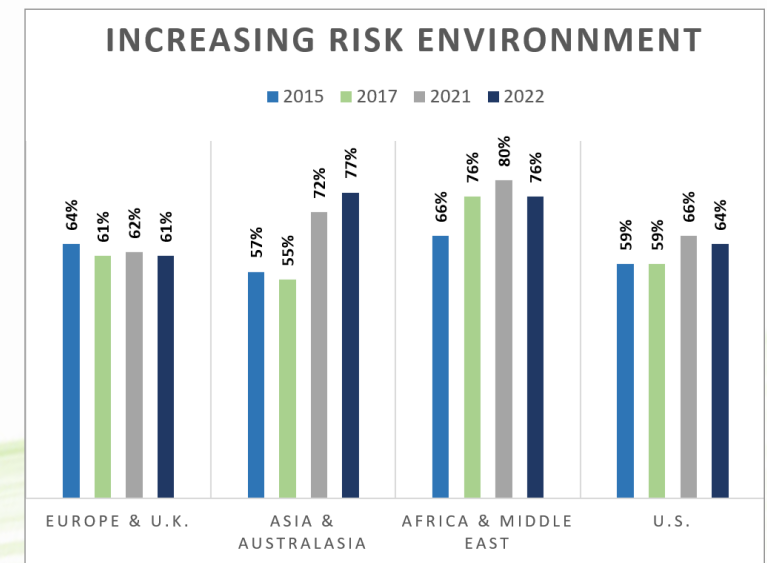


## To what extent has the volume and complexity of risks increased in past five years?

Percentage responding “mostly” to “extensively”

*Executives note that the volume and complexity of risks they face has grown notably; no region of the world is immune to that reality.*

Our three prior studies released in 2015, 2017, and 2021 also captured respondent views about the overall risk environment for the four geographic regions. As indicated by the chart to the right, 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.





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But for most regions of the world, COVID-19 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"

**48%**

Europe & U.K.

**61%**

Africa & Middle East

**71%**

Asia & Australasia

**41%**

United States (U.S.)

In particular, COVID-19 dramatically disrupted strategic decisions about the entity's overall business model and strategic plan particularly 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"

**27%**

Europe & U.K.

**53%**

Africa & Middle East

**57%**

Asia & Australasia

**19%**

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 moved into new ways of doing business that are now becoming the "new normal." That is especially true for organisations in Asia & Australasia and in Africa & the Middle East.

**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?**

Percentages reflecting "mostly" to "extensively"

**27%**

Europe & U.K.

**40%**

Asia & Australasia

**39%**

Africa & Middle East

**17%**

United States (U.S.)

When organisations experience unexpected disruptions that derail strategic efforts, many stakeholders question senior executives and boards about why these events occurred. While effective ERM processes cannot prevent all risks from impacting the organization, they can help reduce their impact by allowing management to anticipate and prepare for risk challenges before they emerge. Our respondents reveal that most organisations have "mostly" or "extensively" experienced a significant operational surprise in the past five years. The rate of operational surprise is fairly consistent across each of the four geographic regions. 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. They also present some evidence that perhaps there are opportunities for all types of organisations to evaluate their approach to risk management.

**To what extent has your organisation faced an operational surprise in the last five years?**

Percentages Reflecting "Mostly" and "Extensively"

**60%**

Europe & U.K.

**66%**

Asia & Australasia

**55%**

Africa & Middle East

**56%**

United States (U.S.)

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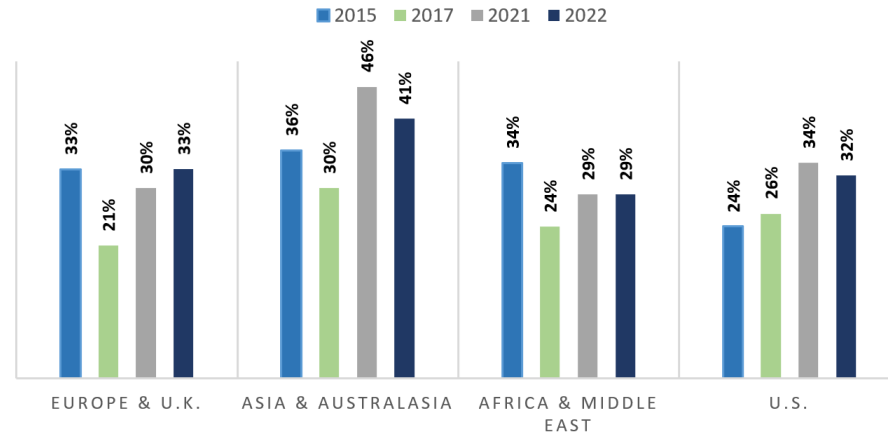
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# ROBUSTNESS OF ENTERPRISE RISK OVERSIGHT

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).

## PERCENTAGE WITH "COMPLETE ERM PROCESSES IN PLACE"

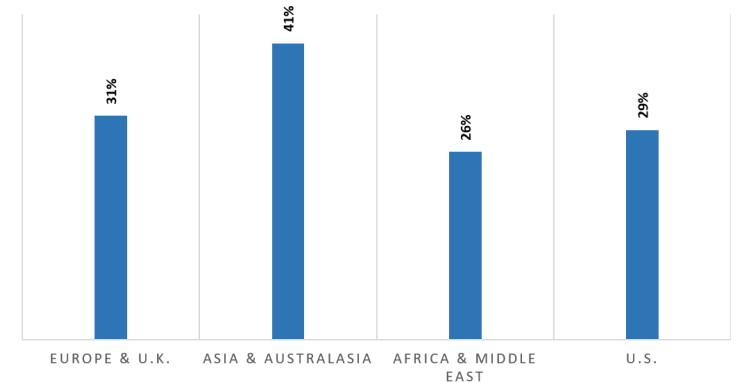


Respondents indicate that the current state of embrace of ERM remains relatively immature around the world, with between one-third to one-half of the organisations claiming to have a "complete formal enterprise-wide risk management process in place." Our prior three studies released in 2015, 2017, and 2021 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 given less than half of those surveyed believe their approach embraces complete ERM processes.

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.

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 41% of respondents in Asia & Australasia describing their process as mature or robust.

## PERCENTAGE WITH "MATURE" OR "ROBUST" RISK MANAGEMENT OVERSIGHT





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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.” Some differences exist in responses between U.S. respondents and respondents from all other parts of the world to that question.

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.

**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”**

**49%**

Europe & U.K.

**42%**

Africa & Middle East

**49%**

Asia & Australasia

**38%**

United States (U.S.)

The experience of having to deal with the massive uncertainties triggered by the ongoing pandemic 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 about two-thirds of respondents indicate that their senior leadership team is calling for more enhanced risk management processes. 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

United States  
(U.S.)

**38%**

**69%**

**63%**

**33%**

**40%**

**67%**

**66%**

**34%**

**In light of the ongoing pandemic, to what extent will your organisation’s senior leadership team be calling for more enhanced risk management processes?**

**To what extent do you believe there will be significant changes in your organisation’s approach to business continuity planning and crisis management?**

Many organisations are rethinking their approaches to business continuity planning and crisis management and that is particularly true for organisations in Asia & Australasia and Africa & the Middle East. 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 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.

*Most organisations struggle to integrate their risk management and strategic planning activities.*

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 (13%) 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 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 insight, perhaps a re-evaluation of their systems of risk management may be warranted.

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 47% of U.S. organisations.

Respondents stating that the risk management process "Mostly" or "Extensively" provides unique competitive advantage	
Percentages Reflecting "Mostly" and "Extensively"	
13% Europe & U.K.	34% Africa & Middle East
40% Asia & Australasia	11% United States (U.S.)

Extent risk exposures are considered when evaluating possible new strategic initiatives			
Percentages Reflecting "Mostly" and "Extensively"			
58% Europe & U.K.	66% Asia & Australasia	66% Africa & Middle East	47% United States (U.S.)

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 fewer percentages of respondents believe their risk management processes provide competitive advantage. It is uncertain why there is that kind of disconnect.

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. 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. 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" and "Extensively"	
45% Europe & U.K.	47% Africa & Middle East
56% Asia & Australasia	43% 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 31% of respondents in the U.S. describe their risk metrics at that level.

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			
Percentages Reflecting "Mostly" and "Extensively"			
47% Europe & U.K.	47% Asia & Australasia	50% Africa & Middle East	31% United States (U.S.)

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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# EXISTING RISK IDENTIFICATION PROCESSES

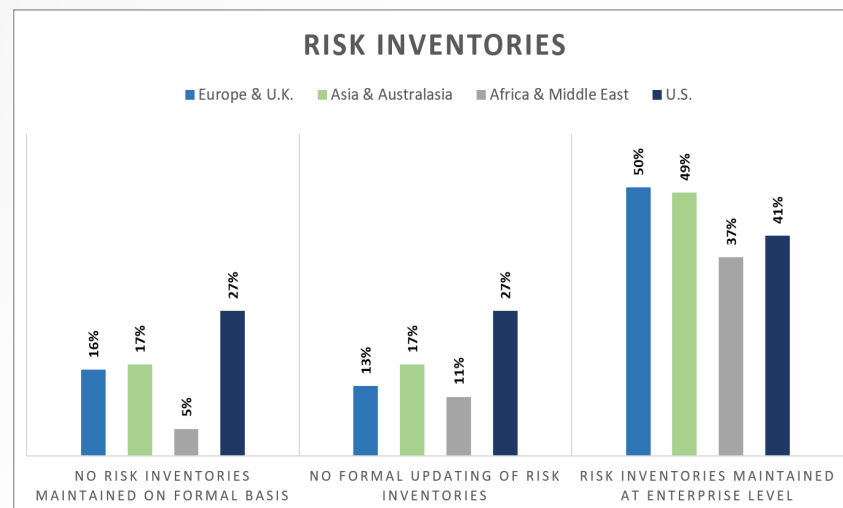
Digging more deeply into the underlying risk identification and risk assessment processes helps to provide some insight into differences in overall risk oversight maturity. We asked a number of questions about techniques used to identify, assess, and monitor key risk exposures.

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 those questions 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 Africa & the Middle East have a formal policy statement regarding their enterprise-wide approach to risk management as compared to under one-half of European & U.K. and U.S. organisations. 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 47% of U.S. organisations have done so.



	Percentages Reflecting “Mostly” and “Extensively”			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	United States (U.S.)
Organisation has a formal policy statement regarding its enterprise-wide approach to risk management	44%	54%	68%	42%
Organisation has formally defined the meaning of the term “risk” for employees to use when identifying and assessing key risks	50%	66%	82%	47%



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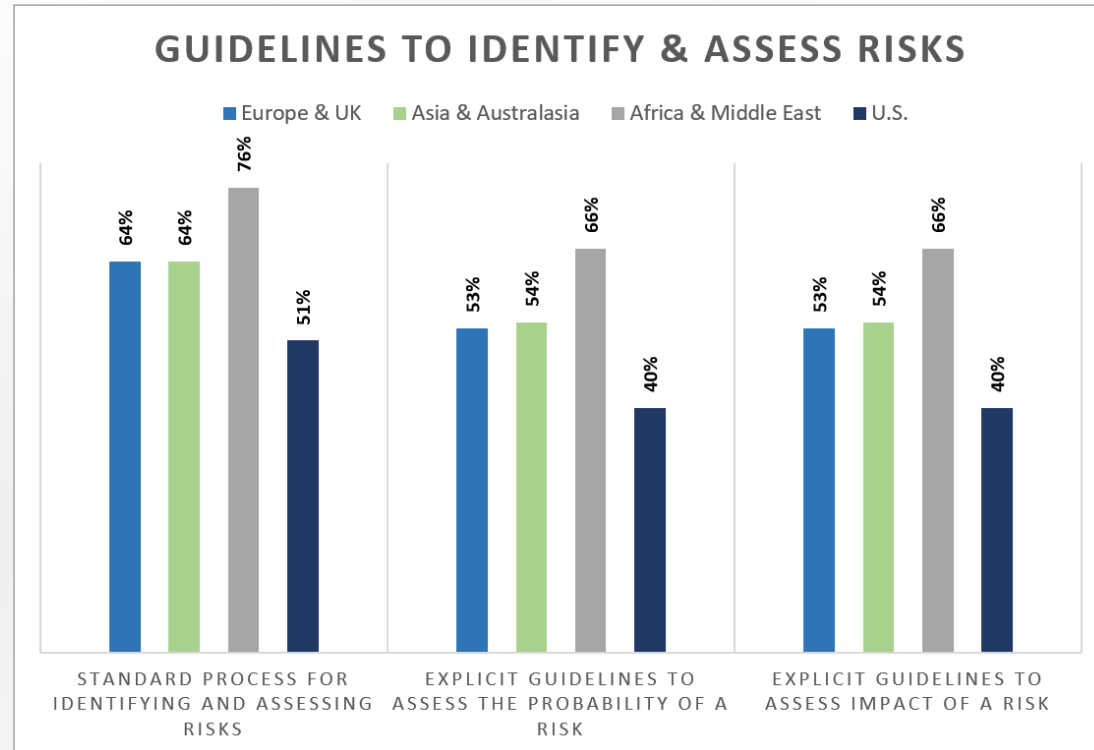
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Most organisations (just over two-thirds) claim to have a standardised process or template for identifying and assessing risks, except for those in the U.S. where only 51% do so. Organisations in Africa & the Middle East are more likely compared to other regions of the world to provide management with explicit guidelines to help them assess the probability and impact of a risk event.



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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.

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.

**Extent risk management activities are an explicit component in determining management performance compensation/remuneration**

**Percentages Reflecting “Mostly” and “Extensively”**

**21%**

Europe & U.K.

**37%**

Africa & Middle East

**39%**

Asia & Australasia

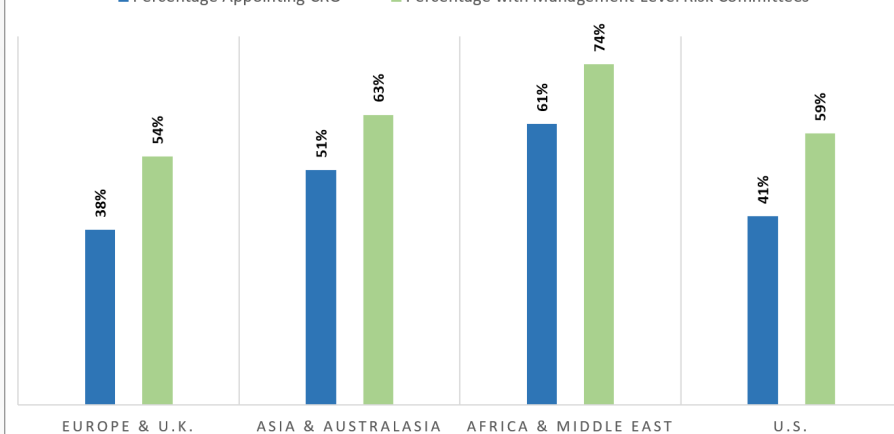
**12%**

United States (U.S.)

*Most organisations have not embedded risk management activities as an explicit component of performance compensation.*

## PERCENTAGES WITH CRO OR MANAGEMENT RISK COMMITTEE

■ Percentage Appointing CRO ■ Percentage with Management-Level Risk Committees



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.

**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” and “Extensively”**

**21%**

Europe & U.K.

**26%**

Africa & Middle East

**26%**

Asia & Australasia

**18%**

United States (U.S.)



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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 at the right 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.

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, two-thirds of boards of directors appear to be doing so, especially for organisations outside the U.S.

	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	42%	66%	68%	31%
Audit Committee	38%	59%	61%	32%
CEO/President	41%	79%	66%	37%
Regulators	27%	44%	63%	21%

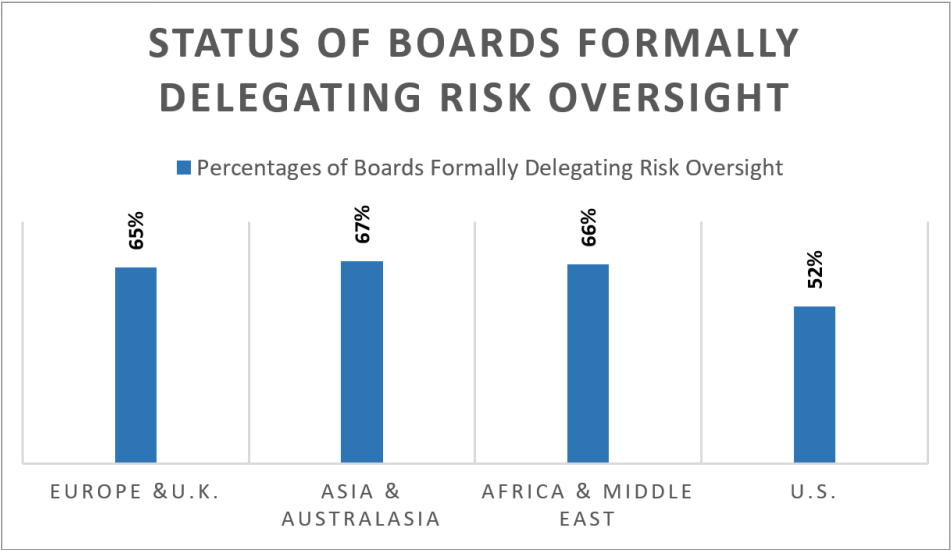
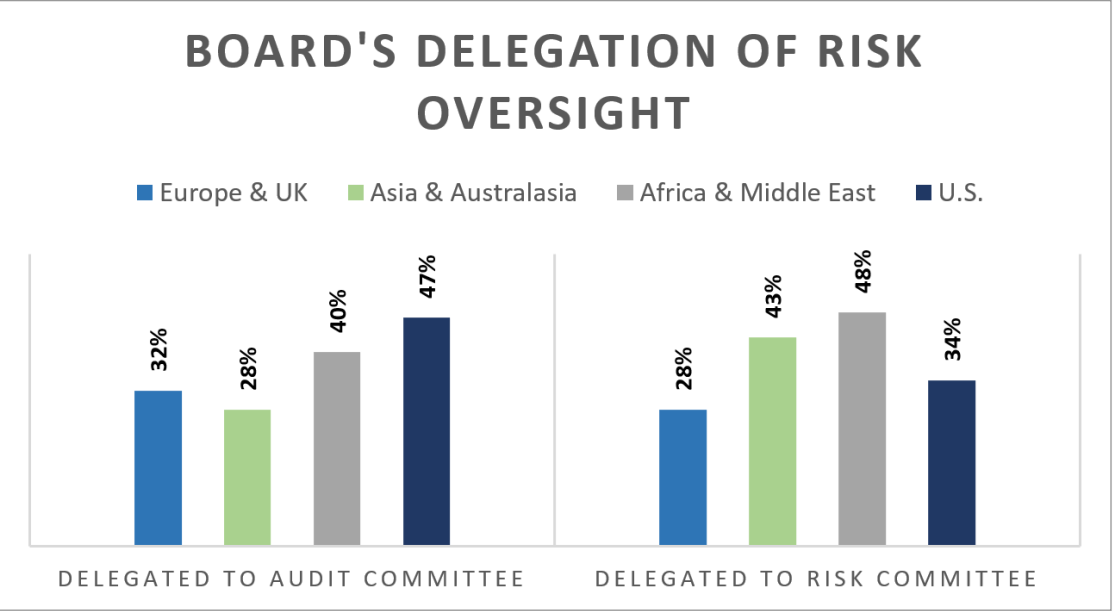


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But, when making these assignments, U.S. organisations are most likely to formally assign risk oversight responsibility to the audit committee. In contrast, Africa & Middle East and Asia & Australasia organisations are more likely to assign responsibility 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 28% of respondents in the U.S and only 44% 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 higher at 47% and 50%, 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" and "Extensively"			
44% Europe & U.K.	47% Asia & Australasia	50% Africa & Middle East	28% United States (U.S.)



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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. Most organisations are hindered by the perception that they do not have sufficient resources to ensure the process is effective or they view other priorities as more important than risk management.

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.

	Percentages Reflecting "Barrier" or "Significant Barrier"			
Perceived Barriers to Effective ERM	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
<b>Competing priorities</b>	36%	37%	37%	44%
<b>Insufficient resources</b>	45%	43%	50%	43%
<b>ERM perceived as unneeded bureaucracy</b>	24%	30%	21%	23%
<b>Lack of perceived value</b>	24%	39%	22%	27%

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## ISSUES TO ASSESS

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. Here are a few questions senior executives may use to engage in discussion about the effectiveness of their organisation's overall approach to risk oversight:

- Given the rapidly changing business environment, are we comfortable that our **risk management playbook** is sufficient to navigate the volume of complex risks that continue to unfold?
- To what extent is the **organisation surprised** by unexpected events that derail planned strategies and require significant management attention? How might more explicit focus on risks in the context of the organisation's strategy improve our ability to better anticipate emerging risks?
- What **assumptions** are we making about the organisation's capabilities for success? How valid are those assumptions?
- How are growing levels of uncertainties triggering a greater volume of risks we must manage and is the **emergence of risks** affecting our core business increasing at a faster pace?
- Would most members of our executive team describe our 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?
- How robust is our organisation's dashboard **reporting** system in helping management monitor emerging risk conditions? Do we 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 our organisation? Might the lack of clear leadership and visioning about the strategic role of risk management be limiting the value coming from our risk management processes?
- What risk management **processes** did we implement during the pandemic that were not done before? What can be done to preserve some of the positive risk management benefits realised as our management team came together to navigate the pandemic? To what extent is our leadership team more comfortable being transparent and open about risks on the horizon for your organisation? How can we preserve that?

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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### NUMBER OF RESPONDENTS BY REGION

	Number			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
<b>Number of Survey Respondents</b>	143	70	38	496

### MANAGEMENT TITLES FOR RESPONDENTS

Titles	Percentages			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
<b>Chief Financial Officer or Finance Director</b>	52%	40%	21%	24%
<b>Controller</b>	13%	13%	16%	6%
<b>Treasurer</b>	2%	1%	8%	2%

### 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.
<b>\$0 &lt; x &lt; \$10 million</b>	29%	20%	24%	27%
<b>\$10 million &lt; x &lt; \$100 million</b>	40%	34%	38%	21%
<b>\$100 million &lt; x &lt; \$500 million</b>	13%	17%	18%	15%
<b>\$500 million &lt; x &lt; \$1 billion</b>	4%	17%	14%	8%
<b>\$1 billion &lt; x &lt; \$2 billion</b>	5%	2%	0%	8%
<b>\$2 billion &lt; x &lt; \$10 billion</b>	6%	3%	3%	11%
<b>x &gt; \$10 billion</b>	3%	7%	3%	10%

### INDUSTRIES REPRESENTED

Industries	Percentages			
	Europe & U.K.	Asia & Australasia	Africa & Middle East	U.S.
<b>For-Profit Entities</b>				
<b>Manufacturing</b>	20%	23%	21%	9%
<b>Finance, Insurance, Real Estate</b>	9%	16%	21%	27%
<b>Services</b>	20%	24%	18%	21%
<b>Wholesale Distribution</b>	8%	3%	5%	3%
<b>Construction</b>	4%	6%	13%	2%
<b>Retail</b>	5%	3%	3%	5%
<b>Transportation</b>	4%	7%	3%	2%
<b>Mining</b>	0%	1%	5%	1%
<b>Agriculture, Forestry, Fishing</b>	2%	7%	3%	1%
<b>Non-Profit Entities</b>	28%	10%	8%	29%



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**Mark S. Beasley, CPA, Ph.D.**, is KPMG Professor and Director of the ERM Initiative at NC State University. He specialises in the study of enterprise risk management, corporate governance, financial statement fraud, and the financial reporting process. He completed over seven years of service as a board member of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and has served on other national-level task forces related to risk management issues. Currently, he is a member of the United Nation's Internal Control Advisory Group. He consults with boards and senior executive teams on risk governance issues, is a frequent speaker at national and international levels, and has published over 100 articles, research monographs, books, and other thought-related publications. He earned his Ph.D. at Michigan State University.



**Bruce C. Branson, Ph.D.**, is an Alumni Distinguished Professor of Accounting and Associate Director of the ERM Initiative in the Poole College of Management at NC State University. His teaching and research is focused on enterprise risk management and financial reporting, and includes an interest in the use of derivative securities and other hedging strategies for risk reduction/risk sharing. He also has examined the use of various forecasting and simulation tools to form expectations used in financial statement audits and in earnings forecasting research. He earned his Ph.D. at Florida State University.

[www.erm.ncsu.edu](http://www.erm.ncsu.edu)

**NC STATE** Poole College of Management  
Enterprise Risk Management Initiative

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](http://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.