



Risk reset: anticipating what lies ahead

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Executives are increasingly concerned about the evolving risk landscape resulting from recent economic turmoil, rapid shifts in globalisation, widespread digital technology adoption, climate change and geopolitical instabilities. Consequently, the business environment has become more volatile, complex and unpredictable. Given this challenging backdrop, executives must re-evaluate their perspectives, risk management strategies and tools to adapt effectively.

Economist Impact, sponsored by Iron Mountain, surveyed 656 high-level executives to examine how their perception of risk has changed and how they have adjusted their strategies to protect their organisations' most significant vulnerabilities and improve their positioning.



How are executives approaching risk management differently?

Based on our survey results, executives have intensified their focus on overall risk in the past three years, emphasising the significance of risk monitoring. The importance of identifying risk has increased for over 90% of our respondents since 2020. Until recently, about 80% of executives primarily focused on safeguarding their organisation's reputation and ensuring operational efficiency. While these concerns are still significant, our survey results highlight a notable shift in their focus towards technology as a pivotal element in risk management.

Executives are strongly inclined to enhance their organisations' proactive capabilities to anticipate risks. Forty-one percent of respondents stated that they achieve this objective, in part, by actively monitoring emerging threats and identifying process anomalies. Our interviews with experts have underscored an increased focus on emerging risks that lack clear definitions or are not easily recognisable. Executives now possess a better understanding of the interconnected nature of risks across different regions of the world.

Advancements in cognitive technologies and artificial intelligence have garnered the attention of organisations. Reflecting this, 43% of executives reported integrating these technologies into their risk management processes, acknowledging their capacity to enhance these practices. The emergence of such cutting-edge tools has prompted a reassessment of traditional approaches and fostered a growing belief in the power of technology to provide valuable insights and predictions for risk mitigation.



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Simeon Fishman, executive vice president and chief risk officer at The Clearing House

Risk management technologies present a double-edged sword. The increasing complexity of technology systems and extensive use of data introduce new and significant risks for organisations, such as cyber-attacks, data breaches, non-compliance with regulations and system failures. Our experts emphasise the critical role of human expertise in conjunction with these technologies. As Simeon Fishman, executive vice president and chief risk officer at The Clearing House, explains, "Technology can only get you so far if you don't have the right design, risk architecture, or data within your systems. It is critical to understand how processes and data are connected. Once the design is in place, big data, analytics and data interrogation tools can be leveraged." To achieve optimal risk management, organisations must strike a delicate balance. It is essential to adopt appropriate risk architecture, data systems and processes that complement the implementation of risk management technologies.

Additionally, the organisation's risk culture plays a vital role. This encompasses the mindsets and behavioural norms that influence how an organisation identifies and manages risks. It is critical that the risk culture of an organisation aligns with its risk management efforts.



"External factors exert a significant impact on organisations and necessitate cross-collaboration to address them."

Sophie Heading, global risks lead at the World Economic Forum

Adopting a holistic approach to risk management is imperative to embed risk management into the very fabric of the organisation and enable cross-functional collaboration. Sophie Heading, global risks lead at the World Economic Forum, highlights the significance of "external factors that exert a material impact on organisations and necessitate cross-collaboration to address them." Over 60% of executives have expressed the need to improve employee engagement and promote information sharing across functions, teams and external partners. They also acknowledge the importance of investing in enterprise-wide risk management teams and integrating risk management into organisational strategy and decision-making processes.

There has also been a growing recognition of how organisations' operations affect the environment and society in recent years. Factors such as the increasing frequency of natural disasters, the influence of climate change on operating conditions and the rise of global activism have compelled organisations to embrace a more authentic and transparent approach to addressing environmental, social and governance concerns.

Navigating the risk management chasm

The benefits of risk management are evident, with over 40% of executives observing immediate improvements in their organisation's performance. These improvements encompass various areas, including facilities and physical workspace planning, as well as operational efficiency. Furthermore, executives express confidence that their initiatives effectively mitigate or prevent harm from risks.



Although executives maintain an optimistic outlook, they acknowledge the challenges associated with measuring risk management performance. They agree that the lack of standardised evaluation metrics makes it difficult to demonstrate results. To advance risk management to the next level, executives must develop and adopt measurement metrics that offer a comprehensive understanding of their performance. These metrics should help identify areas for improvement and facilitate informed decision-making, thereby enhancing their risk management practices.

Risk management is also constrained by limited resources. For example, 62% of executives acknowledge that their organisation needs to improve the allocation of financial, technological and human resources to optimise the effectiveness of their risk management practices. And while the CEO plays a crucial role by providing leadership, setting the tone and leading by example, effective risk management entails a continuous cycle involving all levels of the organisation, from senior management to front-line employees. To facilitate this holistic approach, organisations should establish and empower a risk management committee. It could promote an enterprise-wide perspective on risk management, review organisational risk management structure, and implement effective communication tools that foster collaboration across different departments.

Risk management is a complex and multifaceted discipline requiring a well-balanced allocation of financial, technological and human resources. To promote effective risk management, organisations must adapt their risk culture, governance structure, systems, and processes accordingly. Effective communication, collaboration, continuous monitoring and adaptation to evolving risks and circumstances are vital components that enhance an organisation's resilience, helping it effectively navigate uncertainties and disruptions.