ECONOMIST IMPACT

Risk reset: shifting focus from reaction to anticipation

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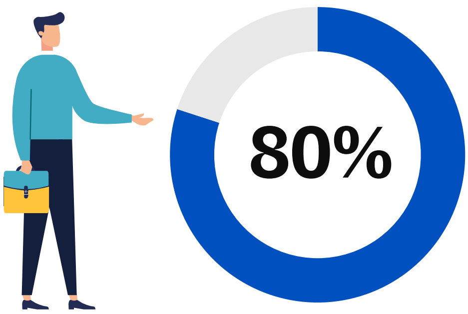
Organisations today face more complex risks, fuelled by the rapid shifts in globalisation, the pervasive use of digital technology, climate change and geopolitical instabilities. As a result, they must adapt their thinking and tools to grapple with new risks and harness the potential opportunities they bring.

Economist Impact, sponsored by Iron Mountain, conducted primary research to understand how executives perceive the key internal and external factors shaping an organisation's approach to risk and the role that executives, technology and the institutional set-up play in risk management. Economist Impact leveraged data from a bespoke survey of 656 executives across key industries in Australia, Brazil, Canada, France, Germany, Hong Kong, India, Mexico, New Zealand, Singapore, the UK and the US.

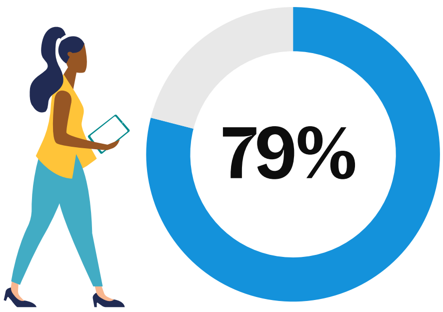
90% **The importance of identifying risks has increased for over 90% of our respondents since 2020.**

Reputation is executives' most critical concern in risk monitoring. Technology will be the key driver of organisational risk management efforts over the next three years.



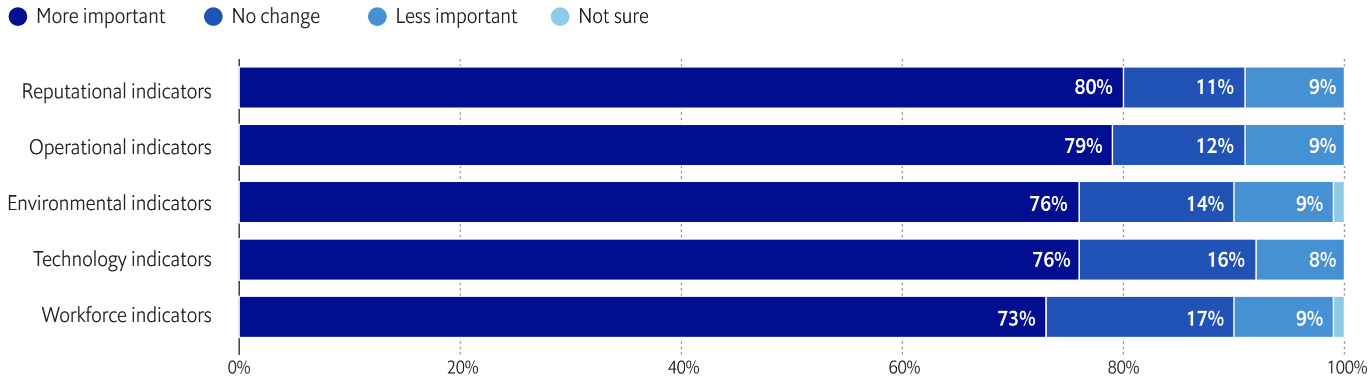
of executives surveyed indicated that reputational indicators have become more important to their organisations' risk monitoring over the past three years.

Reputational risk indicators can include various factors, such as negative media coverage, customer complaints, employee misconduct, legal or regulatory actions, and social media sentiment. By tracking these indicators, executives can gain insights into how various stakeholders perceive the organisation and identify vulnerabilities.



of executives report operational risk indicators as becoming more important. This can be due to increasing awareness of the importance of operational risk management, increasing reliance on emerging new technologies and business models, supply chain vulnerabilities the covid-19 pandemic exposed, and evolving regulatory requirements and industry standards.

The changing importance of different risk indicators in the past three years



Technological advances will push organisations to improve risk management in the next three years. The trend has already taken effect. For example, **43%** of executives reported using cognitive technologies and artificial intelligence in risk management.

Financial risks will also be a key driver of organisational risk management efforts. The business environment has become increasingly complex and dynamic due to changing economic conditions, market volatility, changes in interest rates, currency fluctuations, and credit and liquidity risks.

Risks driving organisations' efforts to improve risk management over the next three years

43% Technological risks

39% Health risks

41% Financial risks

39% Human capital risks

38% Operational risks

Executives see significant payoffs from their risk management efforts.

42%
report improvements in facilities and physical workspace planning due to risk management practices.

41%
report a significant positive impact on operational efficiency. This is despite 65% of executives agreeing that investing in long-term risk management impacts operations negatively in the short term.

41%
report improved strategic decision-making due to their risk management practices.

Executives feel confident that their risk management initiatives are sufficient to mitigate or prevent damage from risks. However, this optimism is in conflict with executives recognising the challenges in measuring risk management performance.

73%
of executives agree that the lack of standardised evaluation metrics to measure risk makes it challenging to show progress.

Since 2020, organisations have refocused their risk management efforts and investments.

To improve workforce risk management:

53% of organisations developed a talent pipeline

50% leveraged more data towards managing workforce risks

To mitigate data and cybersecurity risks:

49% of organisations invested in disaster recovery/ business continuity plans for digital systems

48% invested in cloud services/storage and ongoing monitoring and prevention of cyber risk and threats

To improve the sustainability of operations:

48% of organisations dedicated more resources to ESG initiatives

48% focused on transparent reporting on ESG performance

To improve operations efficiency:

52% of organisations invested in risk management practices that more directly respond to the evolving work models

50% focused on supply chain risks

Executives underscore the importance of a holistic and collaborative approach to managing risks.

Organisations show a desire and effort to improve cross-functional collaboration that feeds into an organisation-wide approach to risk management.

77% of executives agree that risk management must consider all parts of the organisation.

46% report investing in enterprise-wide risk management teams.

36% report integrating risk management into overall organisational strategy and decision-making as a priority feature of their organisation's risk management system.

But executives still need to achieve the ideal situation. For example, 57% of executives reported that their organisation needs to improve cross-functional collaboration. Only 4% of surveyed executives reported a risk management committee as directly responsible for driving risk management. Over 60% of respondents think their organisation needs to improve employee engagement and information sharing between functions, teams and external partners.

Recommendations

Organisations should proactively dedicate sufficient financial, technological and human resources to risk management–62% of respondents think their organisation needs to improve in this regard.

Executives should foster employee engagement and information sharing between teams to improve collaboration towards a holistic risk management system. They should establish and empower cross-functional teams to manage risk efficiently and innovatively under conducive structures, systems and processes.