

## Hey! What's New? 2024-125

### Heightening Global Risk Environment

A report by the AICPA & CIMA and North Carolina State University's Enterprise Risk Management (ERM) Initiative confirms that risks are increasing globally in volume and complexity, regardless of geography. Unfortunately, business leaders are not sufficiently investing in their organization's risk oversight despite the hazards posed to business models by not doing so.

According to the press release issued October 31, 2024, the report found that 66% of respondents sense volume and complexities of risk increasing. Only 32%, however, describe their organization's risk oversight practices as "mature" or "robust." Additionally, only 17% indicate that their risk management process is providing insights that create competitive advantage.

The press release says that *The 2024 Global State of Risk Oversight: Managing the Rapidly Evolving Risk Landscape* includes data collected during 2024 through an online survey of global business leaders across Europe & the U.K., Asia & Australasia, Africa & the Middle East and United States. About half of the respondents serve in senior accounting and finance roles, with the remaining representing a variety of management positions within a range of industries.

According to the results, says the press release, participants also revealed that their organization had faced a significant operational surprise in the past five years, with 48% indicating that their organization has experienced a major, unexpected risk event. "The occurrence of an actual significant risk event suggests a potential breakdown in organizational risk management processes."

Among the key findings of the research is that the volume and complexity of risks are increasing across the four geographic regions: Europe & U.K. (66%), Asia & Australasia (68%), Africa & Middle East (73%), U.S. (64%).

The report notes that organizations are recognizing the need to identify a risk management leader, with 47 percent of respondent organizations globally appointing a single individual (Chief Risk Officer or equivalent) to lead the risk management function. More organizations (64%), however, are likely to have a management-level risk committee in place versus a single individual risk management leader.

In all regions of the world, respondents who claimed their organizations had "mature" or "robust" risk oversight are in the minority.

Another finding was that only about one-half of boards in organizations formally discuss risk information when the board reviews the strategic plan.

Only 47% of organizations describe their ERM process as a process that is "mostly" to "extensively" systematic, robust, and repeatable with regular reporting of top risk exposures to the board.

The research also measured finance-related executives' assessments of the level of maturity in their organization's proactive management of all kinds of risks through adoption of enterprise

risk management (ERM) processes (a methodology that looks at risk management strategically from the perspective of the entire firm or organization, and aims to identify, assess and prepare for potential losses, dangers, hazards and other potentials for harm that may interfere with an organization's operations and objectives and/or lead to losses).

“Globally, effective enterprise-wide risk management should be one of the organization’s most important strategic tools. Unfortunately, many organizations view risk management as a distraction from more important strategic tasks,” says Mark Beasley, Alan T. Dickson Distinguished Professor of Accounting and Director of the ERM Initiative at NC State. “Risk management will not become easier over time. Given the rapid speed of change in the global business environment, complex risk issues will continue to emerge at rapid-fire pace. Now is the time for many organizations to give their approach to risk governance an honest assessment.”

For more, check our the news release at [Enterprise Risk Management Processes Remain Undervalued by Global Boards and Executives Amid Heightening Risk Environment, Report from AICPA & CIMA and NC State University Report Finds | News | AICPA & CIMA \(aicpa-cima.com\)](#).