

Accenture Risk Study: 2024 Edition

Hyper-disruption demands constant reinvention

When threats are everywhere, business
resilience requires a new risk mindset

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Introduction

In July 1897, Swedish explorer S. A. Andrée and two friends climbed into the basket of a hydrogen balloon in the remote, snow-covered island of Svalbard.

Their mission: fly over the North Pole before landing safely in Canada or Russia.

An innovative steering system would help ensure a straightforward journey. Extra fuel was stowed in case of leakage. And, in the unlikely event of a crash, guns, snowshoes and even a boat would allow the group to reach safety. They knew the risks and seemed prepared for anything.

Unfortunately, moments after launch, the balloon careened into the ocean. Sand was thrown overboard to lighten the load and allow the basket to clear the water. The tactic worked, but the lower weight rendered the steering system useless, and the balloon rose to a dangerous height of 700 meters. Low air pressure accelerated hydrogen escape, causing the balloon to crash a few days later, precipitating a series of cascading issues. The men were well-prepared to deal with individual threats but failed to anticipate their compounding effect and resulting web of risks.

Today, businesses can learn much from the experiences of Andrée and his fellow explorers. Success means preparing for the unexpected. Organizations and their risk leadership need to raise their game in a business climate where compounding and interconnected risks undermine business resilience and growth. The status quo won't cut it, nor will a "good enough" mindset and approach to risk management.

Our Risk Study: 2024 Edition, which surveyed over 700 risk professionals worldwide, reveals that businesses, just like Andrée and his companions, are underprepared for a hyper-disruptive risk climate where risk is everywhere.

Executive summary

Risk teams have not kept up with a morphing risk landscape

Today, mega shocks keep coming and volatility is constant. Disruptive weather events, geopolitical upheaval and economic uncertainty seem to be the new normal. Even the most experienced risk professionals are under growing pressure and scrutiny.

Our research finds that businesses are feeling the strain:

83% say that complex, interconnected risks are emerging more rapidly

81% say risks in other sectors are now important to their business

77% say risks are more difficult to detect and manage

72% say their risk management capabilities have not kept pace with the rapidly changing landscape

As companies embrace reinvention¹ to create opportunity from all this disruption and volatility, businesses need to think differently about mitigating and navigating risk. In part, this means modernizing the risk function's skills and technologies. But it also means establishing a "risk mindset" across the entire organization, so that every function and employee has the tools and capabilities to detect and mitigate threats. This is critical for turning threats into opportunities for growth.

There are leaders to learn from

Surprisingly, just 14.5% of the organizations surveyed have advanced levels of risk management capabilities such as implementing technologies to improve decision-making and onboarding leading data analytics skills into the risk function. These organizations are also more likely to be growing as businesses. The same number (14.5%) of organizations surveyed have less mature capabilities (see "About the research").

Risk professionals can help their organizations improve their resilience and competitive position by emulating the risk leaders in four ways:

1. Invest in new and emerging technologies

57% of risk leaders say that investing in new technology for the risk team is a top-three priority, compared with **24%** of those that have less mature capabilities.

In parallel, **96%** of leaders are urgently improving their ability to collect enterprise-wide data, compared with **59%** of the less mature group.

2. Create risk leaders of the future

51% of risk leaders say bringing new skills into the function is a top priority, compared with **24%** of the less mature group.

3. Maximize agility

Risk leaders are far more agile than their peers. They are nearly **4X** more likely to say they are “very agile” when it comes to using cloud platforms, tools and services to rapidly execute risk processes when compared to the less mature group.

4. Make risk everyone’s business

57% of risk leaders are “very satisfied” with their business’s ability to develop the skills needed to detect and mitigate risk, compared with only **27%** of the less mature group.

Risk is everywhere

Just when it feels like we've reached peak risk, a new disruptive threat comes along: geopolitical tensions and instability, adverse weather events and pandemics, for example.

Disruption increased by 183% over the past four years and by 33% in the past year alone, according to the Accenture Pulse of Change: 2024 Index.²

A great majority (83%) of Risk Study respondents say complex, interconnected risks are emerging at a more rapid pace than ever before.

Old foes with new faces

As in 2021 when we conducted our previous research, risk professionals say that operational and financial risks have grown the most. However, technology and regulatory risks are becoming an increasingly crucial part of the agenda. Significantly more respondents consider each risk to be a growing concern versus in 2021 (see Figure 1).

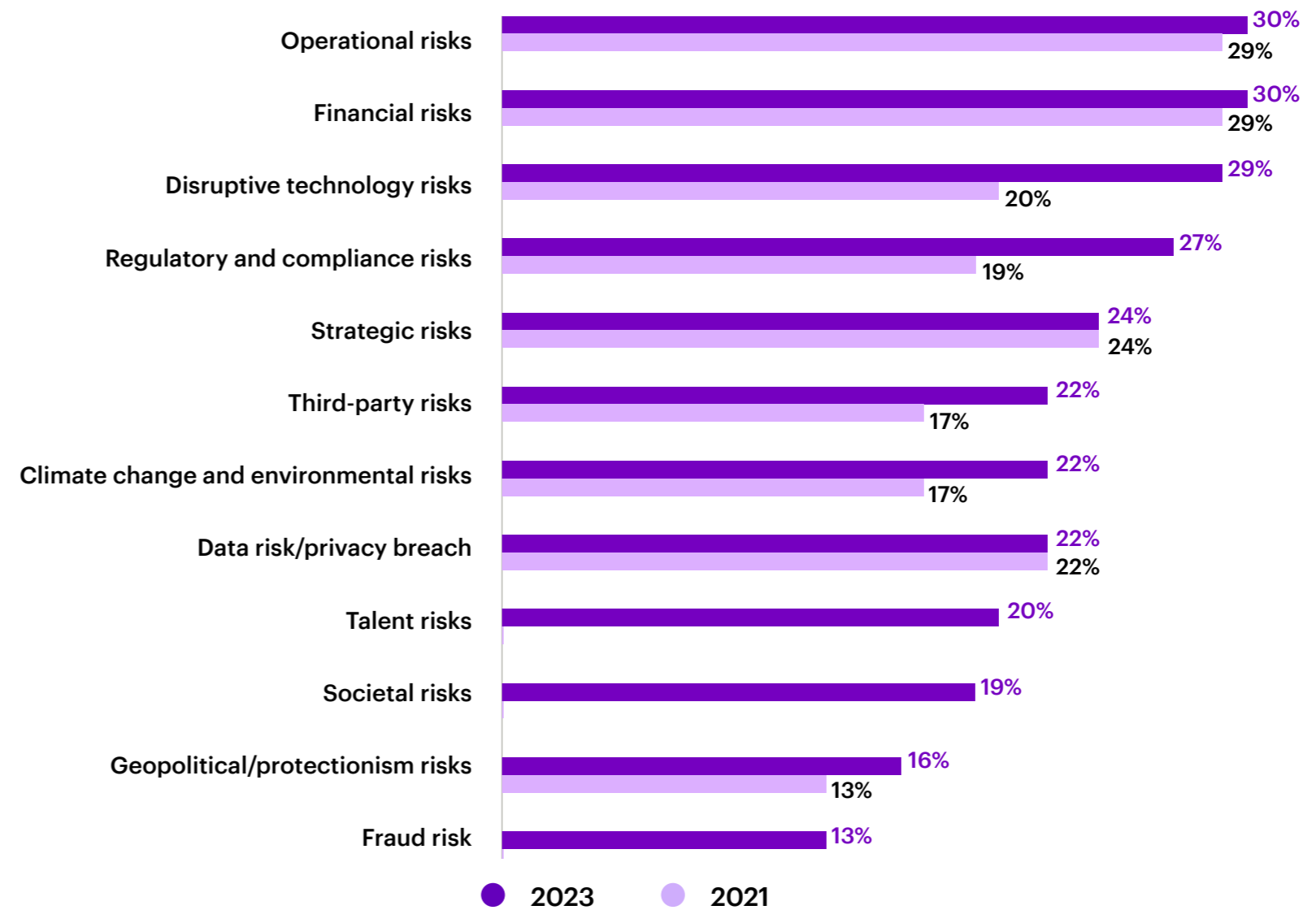
Some sector-specific variations exist. For example, 40% of pharmaceutical respondents say the impact from regulatory and compliance risks rose most since 2021. The highest percentage of any industry. Not surprisingly, software and platforms respondents (49%) led all industries in identifying technology disruption risks as rising most in importance since 2021.

40%
of pharmaceutical respondents say the impact from regulatory and compliance risks rose most since 2021.

FIGURE 1

Technology and regulatory risks rise in importance

Q: Which of the following risk categories have risen up the agenda most significantly in terms of their potential impact on your business since 2021? (Please select up to three)



Base: All answering - 2023 Total = 707; 2021 Total = 725 | Source: Accenture Risk Study, 2023 and 2021

Note: In 2021 we did not track talent and societal risks.

A quick take on managing risks of a multi-cloud strategy

Businesses struggle to manage threats associated with even well-established technologies. For example, just 44% of our Risk Study respondents are “fully confident” in managing the risks associated with cloud.

Establishing a public cloud asset inventory can help. This is a list of all cloud services being used, along with vital information such as the location of data centers and the applications they run. This enables a business to swiftly identify who should be contacted in the event of a platform failure. Overreliance on specific cloud providers, or the implications of no longer being able to operate in a particular country, can also be better understood.

In sectors such as banking, regulators are exploring the extent to which organizations should rely on single cloud providers. An inventory would be invaluable if banks are required to disclose their cloud concentration risk.

Regulatory risks rose due to the introduction of new laws in multiple areas, from the proper use of artificial intelligence (AI) and environmental, social and governance (ESG) disclosures, to new sanctions and trade restrictions. New sector-specific regulations have also emerged. In banking, for example, new regulations are being considered³ and introduced⁴ in response to bank failures and rising operational complexity.

Case in point

Responding to growing pressures from stakeholders and upcoming European Union Deforestation Regulation, an automotive company decided to build its supply chain transparency by mapping the deforestation risk in its supply chain.

Technology risks have climbed up on the agenda because the nature of the threat has evolved. Businesses have known about technology risks for a while, but they've changed significantly, with generative AI-enabled "deepfakes," for example, being quite new.

Whether creating a fake ID based on social media photos, or replicating the voice of an executive, scammers are using AI to swindle unsuspecting victims. In one example, a UK energy company lost £220,000 when fraudsters used AI to mimic the CEO's voice to request an urgent payment to a supplier.⁵ Many businesses are unaware that fraudsters are using these tactics and have not put preventive measures in place. Conversely, risk functions can respond by deploying AI to help identify and prevent this type of risk.

Data risk is also evolving. In the past, businesses were primarily concerned about complying with strict data privacy regulations. However, their focus has now shifted to better understand how the misuse of that data can destroy stakeholder trust and affect the bottom line.

49%
of software
and platforms
respondents say the
impact of disruptive
technology risks rose
most since 2021.

A quick take on social engineering threats

Generative AI creates an evolved fraud threat landscape and allows bad actors to enhance the sophistication of their social engineering schemes (e.g., phishing texts and emails). Social engineering is a risk that cuts across cyber, information security and fraud, at a minimum.

When social engineering attempts are successful, it can put customers and the business at risk for account takeover, data breaches and theft. By recognizing the cross-cutting nature of fraud, and responding in a collaborative, boundaryless way, organizations can close the potential gaps in their defenses. Gaps that can easily be exploited by determined bad actors.



A quick take on how disruptive technology risk is impacting different industries

1. Employees across all sectors now use generative AI tools such as ChatGPT to help carry out day-to-day tasks. It has huge benefits, but it also creates major risks. Executives are often completely unaware of how these tools are being used. For example, should a credit analyst at a bank use generative AI to unearth information about a business when they have no idea where the data comes from? The lack of regulation makes it even harder for businesses to establish governing rules.
2. Advances in machine learning (ML) technology allow the creation of deepfakes, which are digitally manipulated media that alter facial appearance. For creative industries such as music, film and television, this increases the risk of abuse of rights and intellectual property.
3. The fast-fashion industry uses AI to predict fashion trends. Algorithms analyze web searches and blogs to set purchasing, sales and even store-display strategies. This offers retailers a huge advantage, but also represents an immense risk to traditional designer brands, which can be outmaneuvered. Across virtually all industries, traditional businesses are vulnerable to this type of high-speed existential business-model disruption driven by technology risk.

* Image generated by AI



New risks spring up

Since 2021, some risk categories have become more impactful. Societal risks, such as the increased cost of living and mental health issues, became more prevalent among our clients, especially for businesses in Japan and France, for example. In the US, poor mental health is estimated to cost the economy \$47.6 billion annually.⁶

Another component of societal risk is that businesses' position on controversial social issues are increasingly exposing them to reputational risk and damages.

41%
of retail
respondents say social
change poses a high risk
to their organization.

A quick take on responding to an escalating risk environment by embracing a reinvention strategy

Increased volatility and disruption is one of the key factors prompting some businesses to adopt a reinvention strategy. These businesses are not just improving threat detection and mitigation; they're also reimagining their entire business approach to drive resilience. Manufacturers rethink supply chains as extreme weather events such as floods and wildfires damage transportation and logistics facilities; retailers exit entire markets due to geopolitical tension; and financial services businesses outsource significant parts of their business as part of large-scale cost-cutting.

For organizations undergoing transformation, it's crucial for their risk teams to strengthen their capabilities in recognizing, evaluating and addressing the expanding range of risks.

The interconnectivity of risks confounds businesses

Most risk professionals (83%) say that complex, interconnected risks are emerging more rapidly than ever before. The extended war in Ukraine and growing tension between the US and China⁷ show how specific events can rapidly exacerbate other risks.

- Supply chain risk grows as facilities and supply routes are disrupted
- Market risk grows if a business has a large consumer base in an affected area
- Operational risk grows if a business has outsourced to a third party that's located in an affected jurisdiction
- Regulatory risk gets more complex when sanctions are put in place
- Reputational risk can grow when a business continues to operate in a "blacklisted" country

"You can't think about risks in isolation," says Riccardo Roscini, Head of Group Enterprise Risk Management at UniCredit. "A geopolitical event can lead to sanctions, but also severe supply chain issues in certain sectors, which can then be inflationary — which in turn leads to an increase in interest rates."

"Risk is everywhere," agrees Richard Treagus, Chief Risk Officer at Old Mutual. "The consequences of not managing risk properly have grown and grown. The way risks are interconnected makes them more difficult to understand. Something you thought was a minor issue can actually turn out to be a systemic risk."

40% of utilities respondents say the impact from third-party risks rose most since 2021. The highest percentage of any industry.

42% of telecom respondents say net neutrality regulatory changes represent a significant risk to their future success.

FIGURE 2

Key risks are interconnected and have strategic implications

Q: You stated that the below risks significantly rose up the agenda since 2021. Have these escalated the importance of any other risks? If so, which?



Base: All answering - Total = 707 | Source: Accenture Risk Study, 2023

Our research supports what we are hearing from risk professionals – risks are becoming more interdependent. For example, survey respondents rank strategic risk as the risk type most escalated by the increasing importance of operational risk. Strategic risk is also exacerbated by financial, regulatory and technology risks. As risks become more interconnected (see Figure 2) and complex, they create a web of risks to manage and mitigate.

Understanding how risks are interconnected allows risk leadership to better understand their organization’s true risk profile. For instance, our research shows that fraud risk is low on many businesses’ risk agendas, despite its significant impact on worsening societal and financial risks (see Figure 3). Fraud risk is not like other risk categories. It lives across functions and has both financial and non-financial impacts. But you won’t see it unless you are looking for it.

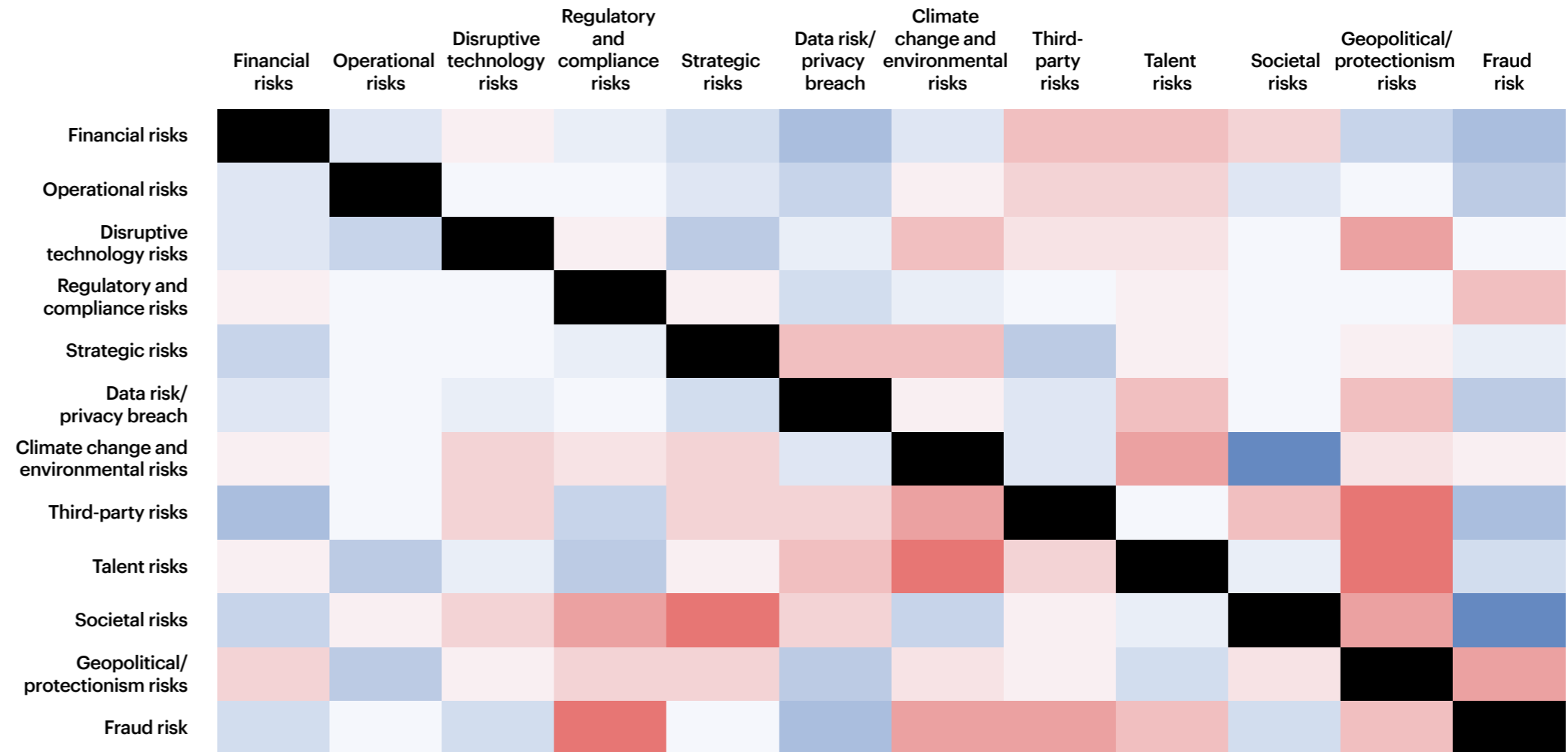
While it is clear that risk is everywhere, not all organizations are responding with urgency. Failure to keep pace with the changing nature of risk exposes companies to greater levels of threats and vulnerabilities. Preparing for interconnected risks can lay a foundation for business resilience and growth.

Case in point

Accenture worked with a multinational food and beverage company to improve its understanding of water risk exposure and to develop a water stewardship strategy. Following a water risk assessment, leveraging public and client data, a model was created that addressed physical, climate, financial, reputational and regulatory risks. The model identified over \$5bn of value at risk.

FIGURE 3

How key risks are interconnected



Base: All answering - Total = 707 | Source: Accenture Research analysis of data from the Accenture Risk Study, 2023

The heatmap shown above illustrates the interconnectedness among individual risk categories based on survey respondents. It reflects the relationship between risks on the rise and the impact of individual risks on each other.

The blue boxes show which risks on the vertical axis are more likely to be interconnected with the risks on the horizontal axis. The darker the blue box, the stronger the interconnectedness of the two risks.

The red boxes show which risks are less likely to be interconnected with the risks on the horizontal axis. For example, "societal risks" are disproportionately interconnected with "fraud risk," whereas "geopolitical and protectionism risks" are less likely to be interconnected with "fraud risk."



Today, risks cut across sectors

Most businesses no longer operate in a single sector. Traditional telecom providers have entered the entertainment sector; healthcare providers now offer insurance; and banks now have retail platforms. These efforts to create new revenue streams can expose organizations to new risks. Our research reflects this new reality: 81% of respondents say risks in other sectors now affect their business.

Businesses are particularly exposed to risks in adjacent sectors through partnerships and strategic alliances. For example, a bank that joins with a retailer to offer a co-branded credit card will become indirectly exposed to retail sector risks (e.g., supply chain disruptions). Banks are also increasingly exposed to the activities of non-bank financial institutions such as fintechs, which are subject to significantly less regulation.⁸

Unfortunately, most businesses today struggle to evaluate how risks within their sector affect them, let alone risks from across different sectors. Business leaders need to address this urgently and follow the lead of our survey risk leaders. After all, over nine in 10 risk leaders are satisfied with their ability to proactively identify and define new risks.

Organizations need to raise their game

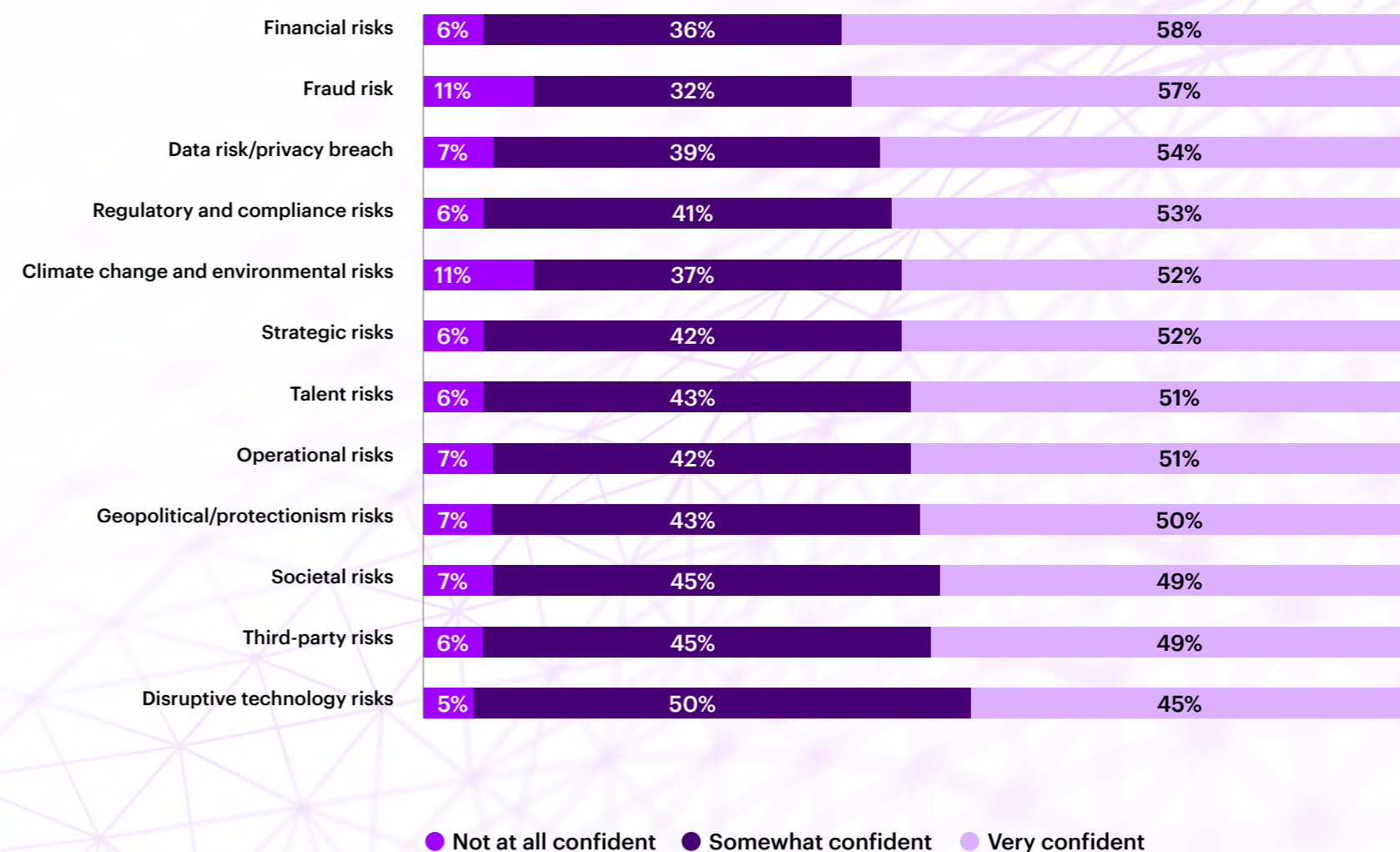
Our Risk Study shows that 72% of respondents say their risk management capabilities have not kept up with the rapidly changing landscape. For example, just 45% are “very confident” about their ability to manage disruptive technology risks (see Figure 4).

While it may seem as though the pace of change is outstripping the ability of risk organizations to take action, our survey did note some positive findings. For example, 42% of respondents are “very satisfied” with their progress in proactively identifying and defining new risks, compared with only 29% in 2021 (see Figure 5). Solid progression, and an area that would benefit from a more collaborative and cross-enterprise approach to risk management and the greater use of new technologies like AI.

FIGURE 4

Businesses have limited confidence in managing major risks

Q: How confident are you in the business’s ability to manage the risks that you previously identified as having risen most up the agenda since 2021?

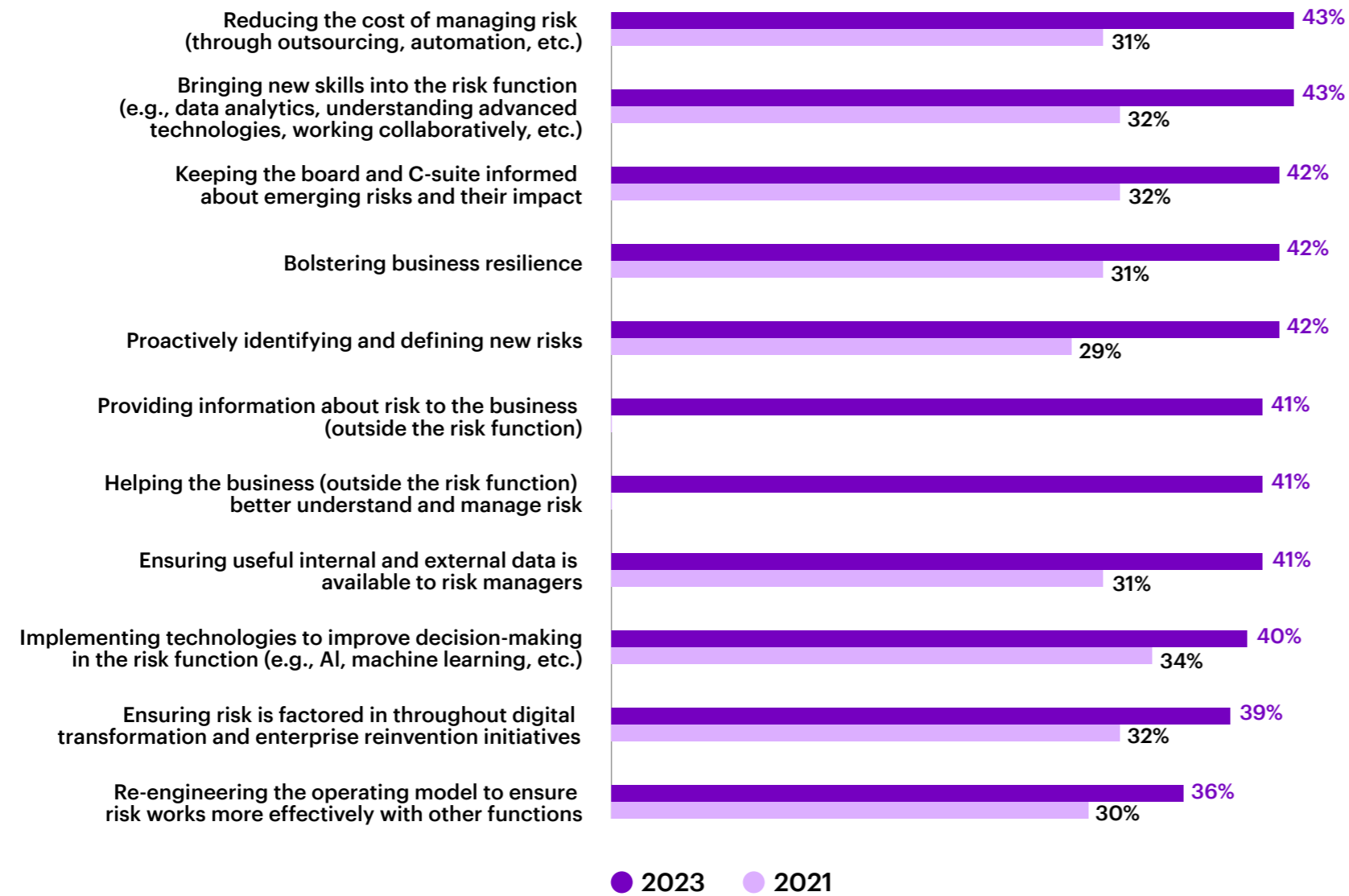


Base: All answering - Total = 707 | Source: Accenture Risk Study, 2023

FIGURE 5

Risk teams leap forward

Q: How satisfied are you with the progress that your organization's risk function has made in the following areas since 2021?



Percentages indicate those that are 'very satisfied' with their risk function's progress in each of the noted areas
 Base: All answering - 2023 Total = 707; 2021 Total = 725 | Source: Accenture Risk Study, 2023 and 2021



Yet, our research also shows that risk teams are pulling back from some important investments that could accelerate a more robust enterprise-wide response (see Figure 6):

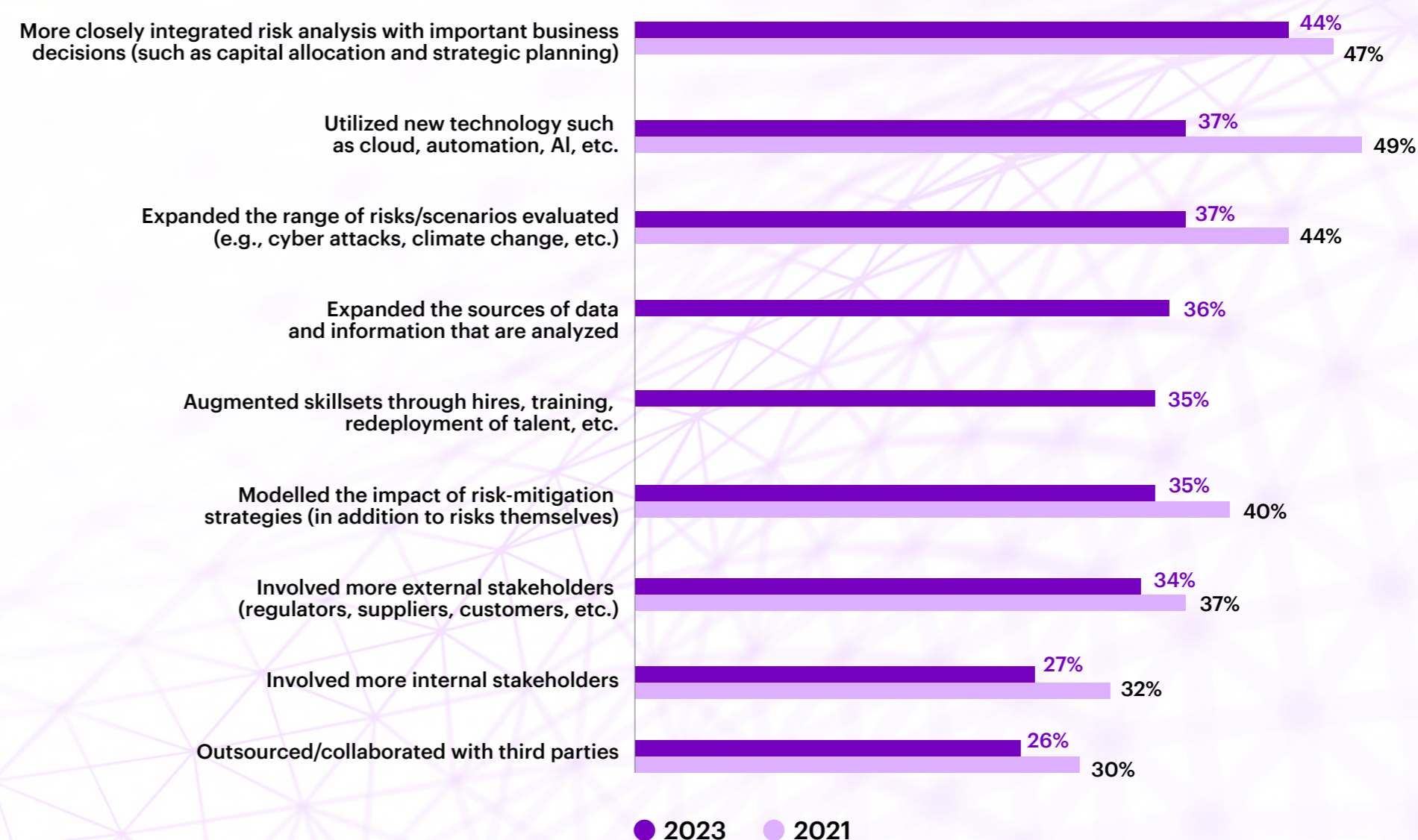
- **Just 37% of risk teams are using new technology, compared with 49% in 2021**
- **Only 37% are expanding the range of risks and scenarios they evaluate, versus 44% in 2021**

Risk teams have to keep pace with the evolving nature and impact of risks and invest continuously to enhance resilience. This apparent complacency to invest in the risk management function undermines the business’s ability to create opportunity from its strong risk management capabilities.

FIGURE 6

Risk teams are less proactive when compared to 2021

Q: Which of the following is your risk function currently doing (or has done in the past 12 months) to improve its ability to detect and quantify risk?



Base: All answering - 2023 Total = 707; 2021 Total = 725 | Source: Accenture Risk Study, 2023 and 2021

It's time to reinvent risk management

Companies must continually evolve their risk management practices to quickly respond to a more complex risk environment. For guidance, they should follow the path set by our surveyed risk leaders. Risk leaders demonstrate the value and benefits of expertly managed risk. More importantly, they can help the business push the envelope on growth and innovation by taking on more risk, safe in the knowledge that threats are detected, quantified and mitigated as effectively as possible. There are 4 steps companies can take to catch up with these risk leaders.

STEP 1
Invest in new and emerging technologies

Some 57% of risk leaders surveyed as part of our Risk Study say that implementing technology is their top priority, versus just 24% of companies with less mature risk capabilities.

While risk leaders may grasp the potential of technology, our survey reveals that a significant number of businesses are not sufficiently investing in new systems. Currently, only about one-third of risk functions use or have recently used new technology like cloud computing to derive value from data, compared to 46% in 2021. The use of automation and AI is also trending lower and less than half use technologies such as advanced data processing and analytics, ML and generative AI (see Figure 7).

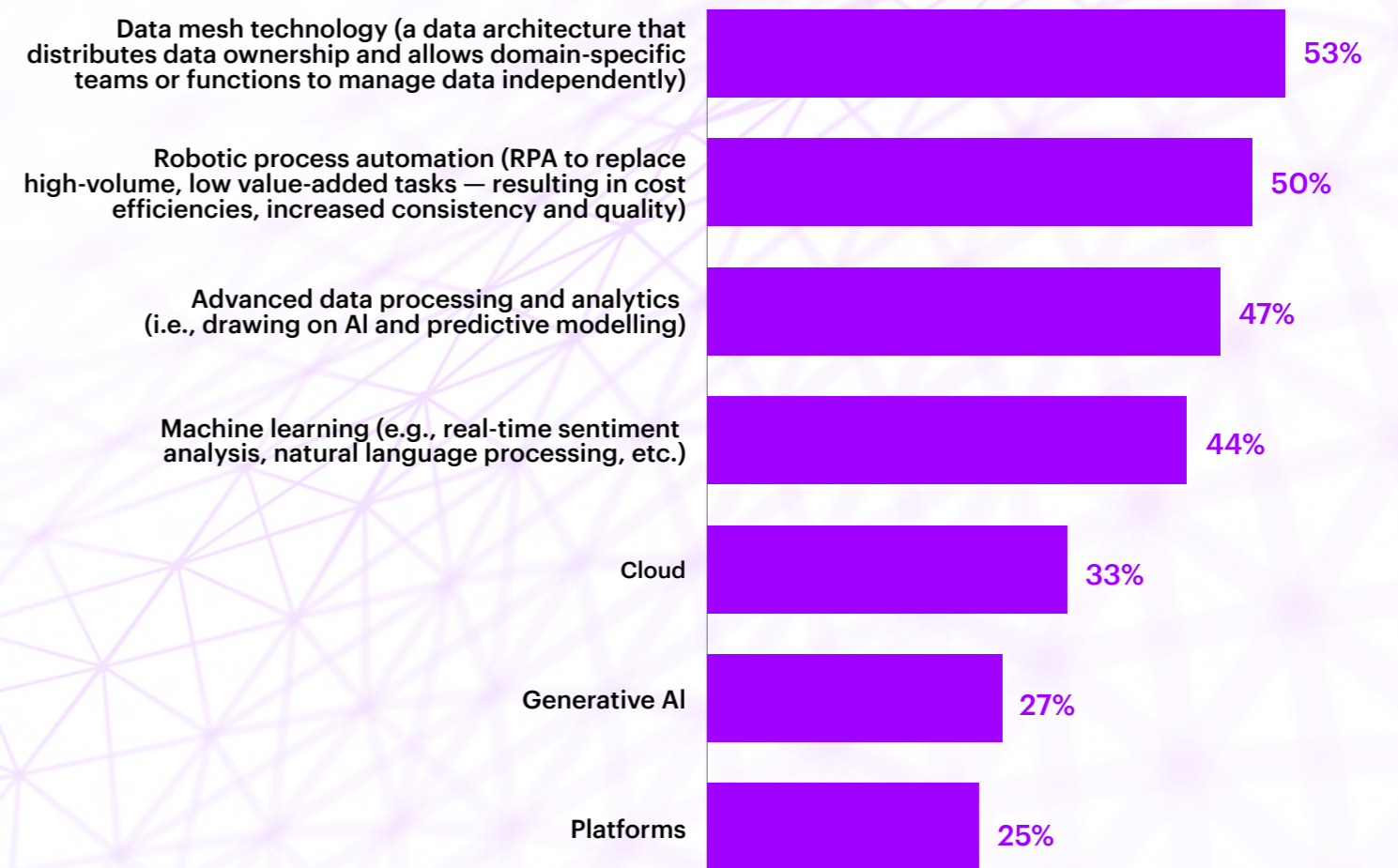
These technologies and capabilities are critical to the next generation of risk management and organizations that fail to invest in these will, in our view, be left behind. Yet, some companies fail to invest where they need to. Embracing these technologies and capabilities is a business-critical imperative.

As well, technology is essential to transforming and reinventing organizations. To support the effort, risk functions need to also reinvent themselves using technology. Failure to do so undermines an organization’s ability to detect, quantify, and mitigate risk and improve the efficiency of their existing risk processes.

FIGURE 7

Only a minority of risk teams use cutting-edge technologies

Q: Which of the following technologies is your risk function using to process and derive value from data



Base: All answering - Total = 707 | Source: Accenture Risk Study, 2023

How some surveyed organizations are using technology in risk management now

Pan-European commercial bank **UniCredit** uses AI and ML to identify when a business's credit rating is about to deteriorate. "We have developed some models based on ML that use internal and external data to more efficiently and effectively spot the deterioration of the credit of a corporate customer," says Riccardo Roscini. "A human operator reviews and, where necessary, changes a classification. The model then learns and improves its ability to spot credit risk."

The risk team at **Swiss Life Asset Managers** has started to use new technology to create customizable risk reporting for their real estate business. "We use technology that improves our ability to collect, process and combine data from decentralized sources, so that we can efficiently create risk reports," explains Stefan Spreiter, the

company's Chief Risk Officer. "We then provide self-serve dashboards that enable our portfolio managers and asset managers to run their own analysis. A few years ago, we would have had to ask people for certain data, because it was stored in different places across the business. Now, we can access it instantly."

Aviva is exploring ways to allow automation to assist the risk teams in freeing up time for more interesting and important work. "We want to spend less time on manual administration, whether that's as part of our risk reporting or monitoring process," explains Joanne Ryan, Chief Risk Officer at Aviva Insurance Ireland. "If we can automate these types of tasks, the team will simply have more time to really use their expertise to look out and help identify emerging risks and then work with the business to effectively mitigate these."



96% of risk leaders are urgently improving their ability to collect enterprise-wide data, compared with 59% of the less mature group.



Many businesses are forming data lakes in the cloud to minimize disruption from data siloes.

A quick take on what businesses can learn from the banking sector's use of data and technology for risk management:

1. Data amalgamation and dashboards:

More than eight in 10 (84%) of Risk Study respondents say their organization is urgently improving their ability to collect and analyze enterprise-wide data. But risk teams often struggle to extract and combine data from unconnected systems. AI and automation can bring together key data sets and identify outliers that should be removed from the analysis.

This can prove incredibly useful when quantifying risk. Consider a bank that is trying to determine its total exposure to a particular risk. It may store credit risk data in one system, market risk in a spreadsheet and operational risk in a completely different document.

When combined rapidly, the bank can assess its total exposure across several risks. With further automation, dashboards can be created to provide a real-time, customized view of overall risk exposure.

2. Automated and live decision-making:

Just as most banks now automate credit risk analysis when reviewing loan applications, businesses across multiple sectors can use technology to make key decisions about other risks.

3. Automated model testing and monitoring:

Regulated industries such as banking use multiple models to evaluate risk exposure. These models need to be monitored and tested periodically, and these processes can be automated.

STEP 2 Create risk leaders of the future

A critical imperative for risk leadership is to work with the C-suite and board to build a risk culture and mindset across functions. Risk mitigation is often about the weakest link and employees need to understand that they are all responsible for managing risk and that risk is part of everyone's role.

A greater emphasis on function-wide collaboration across risk topics is also critical to managing the company's risk appetite and focus. This helps pivot the organization to a mindset where risk management becomes a critical enabler of business resilience and growth.

Concurrently, companies need to accelerate the adoption of emerging technologies that can improve their ability to quickly identify, assess and mitigate risks across the business. Organizations also need to tap into new skills from internal and external sources. Bringing new skills into the risk function is the second-highest priority after implementing technology among the surveyed leader group. Over half (51%) say it's a top priority, versus 24% of the less mature group.

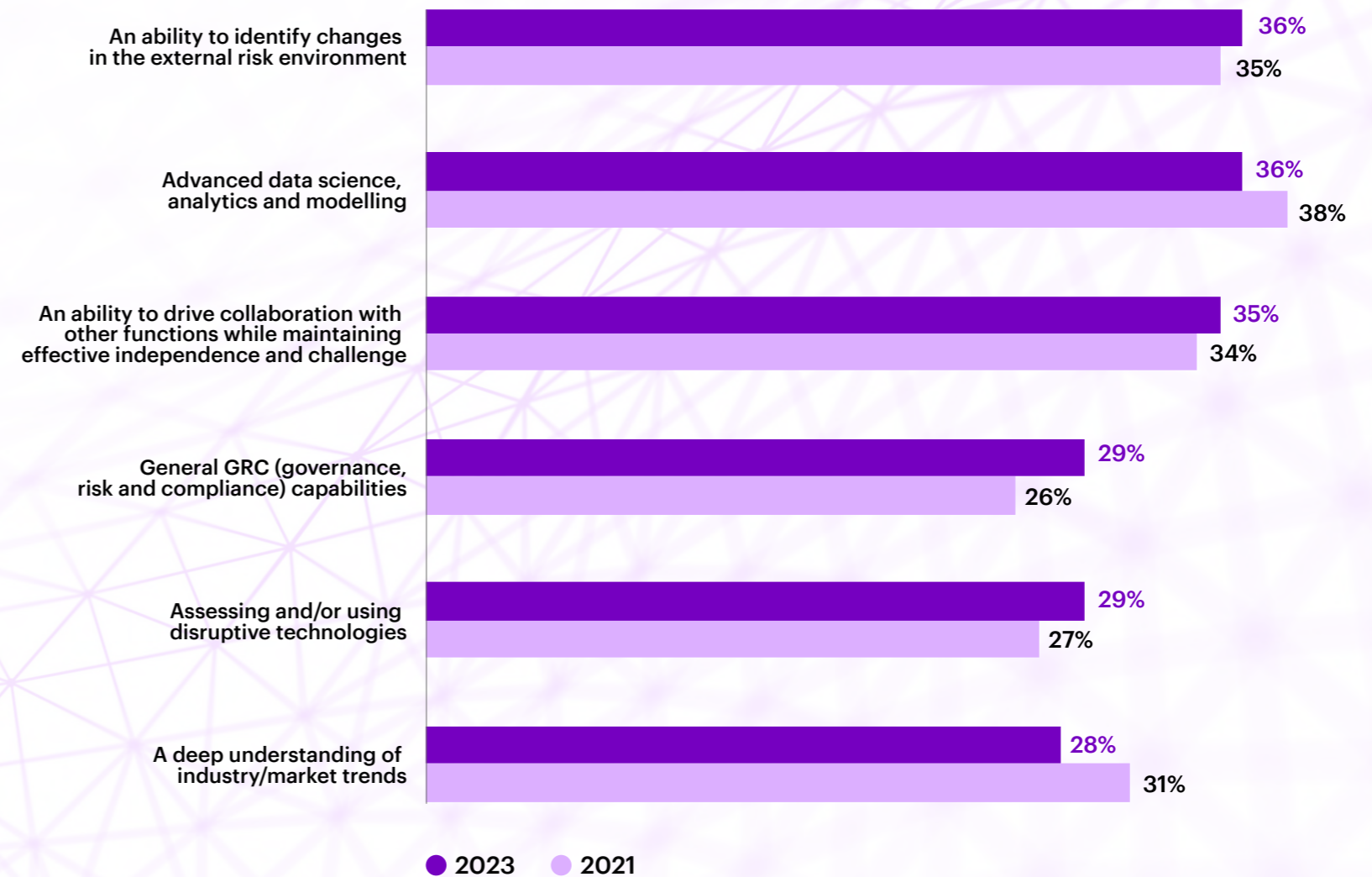
Among all respondents, identifying changes in the external risk landscape, advanced data science, analytics and modelling, and an ability to collaborate are the top-ranked skills prioritized for improvement (see Figure 8).

Despite the increasing importance of technology risk and the intention of risk teams to invest in digital tools, less than one-third are prioritizing the assessment and use of disruptive technologies. Our client work confirms that being a fast follower in the adoption of these powerful technologies is not an option.

FIGURE 8

Skills related to detecting external change, data science and collaboration are highly sought after

Q: Which of the following capabilities is your risk function prioritizing for improvement in the next 12 months?



Base: All answering - 2023 Total = 707; 2021 Total = 725 | Source: Accenture Risk Study, 2023 and 2021

“Risk has become so important that you now need some of your best and brightest employees working in the function,” explains Richard Treagus of Old Mutual. “They need to really have an interest in what’s going on in the world. They also need to be connected to the business, to put the risk landscape into context. Finally, they need to be commercially driven, with the ultimate objective of improving commercial outcomes.”

A quick take on eight skills risk practitioners will need to embrace:

1. Leadership:

With the risk landscape changing so quickly, senior risk professionals need to demonstrate and influence company leadership to drive change.

2. Mindset:

The rapid emergence of new risks and the tools to mitigate them requires a forward-thinking mindset open to learning and embracing new methods of working.

3. Judgment:

With automation reducing the volume of manual process-driven work, risk professionals will increasingly be asked to exercise their judgment and make decisions based on multiple inputs.

4. Relationship management:

As risk professionals pivot from operational support to business partner roles, they need to enhance their ability to build and maintain relationships.

5. Business understanding:

A detailed understanding of the business and its strategy is needed to constructively challenge leadership and support growth initiatives.

6. Extended knowledge-base:

As new risks emerge, risk professionals ought to build up their knowledge of non-financial risks, crisis management, security and sustainability.

7. Data use and management:

As risk teams use more and more data, risk practitioners need to be well-versed in data-quality management, validation, report generation and exception identification.

8. Data science:

Expertise in data science and the ability to visualize and explain advanced analytics is becoming essential.

STEP 3 Maximize agility

Risks are emerging faster than ever before, and risk teams need to be able to move more quickly. This means they need the tools, data, people, business relationships and partnerships that enable a rapid response.

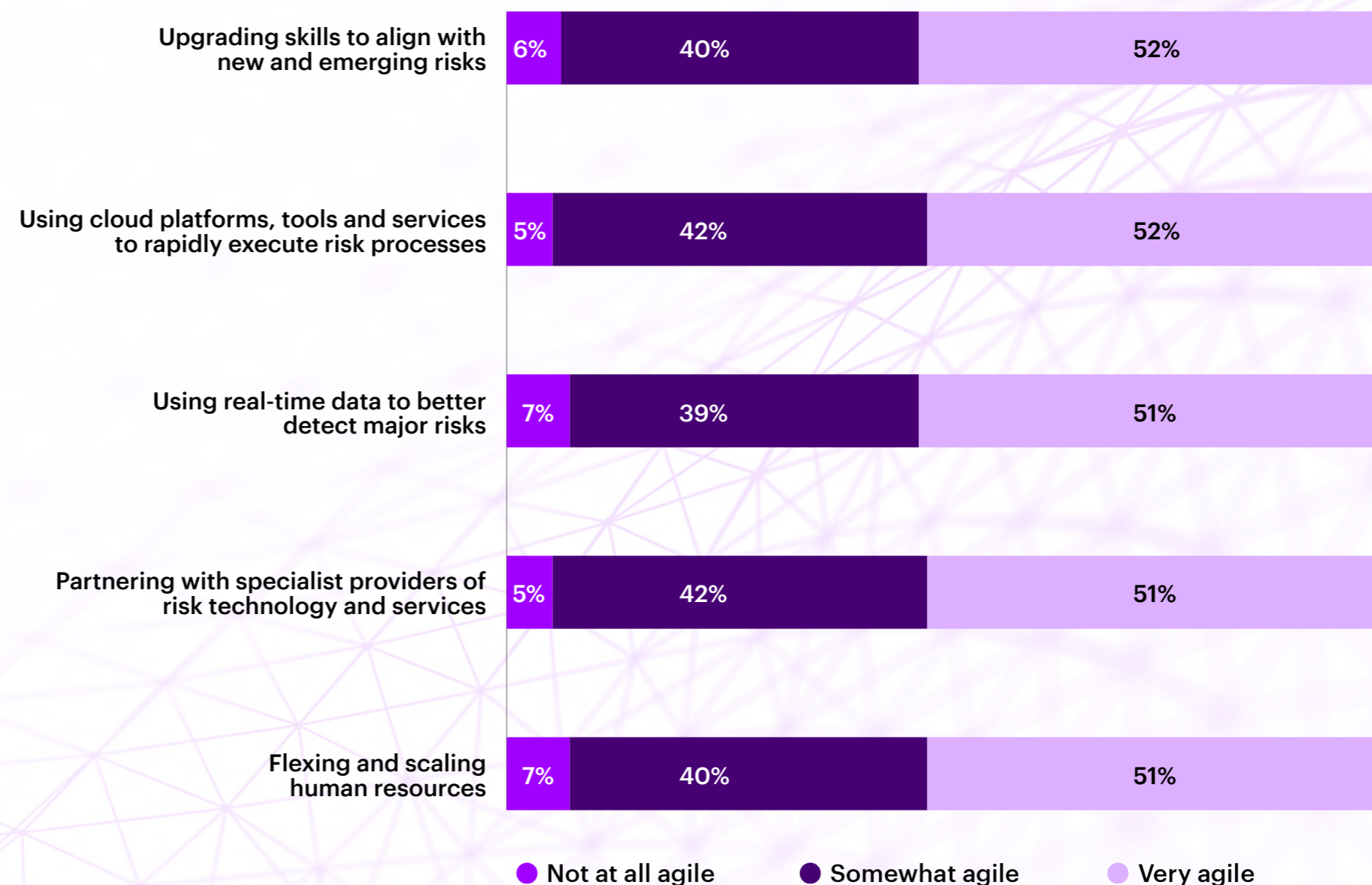
Our Risk Study shows that only about half of risk teams are “very agile” in areas that drive improved effectiveness. For example, just 52% are very agile (83% for risk leaders) when it comes to using cloud platforms, tools and services to rapidly execute risk processes (see Figure 9). Across all surveyed areas, risk leaders are significantly more agile than the less mature group.

Pivoting the risk function to the role of agile business enabler should be a priority. The leading risk functions surveyed and those we work with are accelerating the automation of controls and decision-making while also using advanced analytics to drive finer insights. They have also built more robust ways to measure and report on new and emerging risks. To support this, a flexible risk architecture and agile operating model is necessary to adapt to changing requirements and expectations.

FIGURE 9

There is significant room to improve agility

Q: How agile is your risk function at doing each of the following?



Base: All answering - Total = 707 | Source: Accenture Risk Study, 2023



Such an agile operating model is built on a cloud native foundation and leverages tech solutions and tools, including open-source toolkits that operate across multiple risk areas. It also includes the decommissioning of legacy applications. This improves the interoperability of a company's modelling estate while reducing the cost of managing risk and identifying new risks.

Companies also need to: refine their resilience strategies and plans, so they are fit for purpose; increase the use of shared services to outsource commoditized processes; adjust and expand their risk governance and reporting to cover new, emerging, and evolving risks and threats, while simplifying and modernizing risk policies. Companies should also adopt self-serve data models for greater access across functions and rationalize organizational workforce structures to support new ways of working that drive improved productivity.

STEP 4

Make risk everyone’s business

Many risk functions aim to increase the accountability of the broader business for risk management. The benefits are twofold: it reduces exposure; and increases awareness of risks and potential threats to the business. For example, an energy trader at a global oil and gas company who is fully aware of the risks of various trades is less likely to take unnecessary risk. Similarly, a business is less likely to enter into a joint venture with a potentially reputationally damaging partner if executives are aware of all of the risks that third parties can bring.

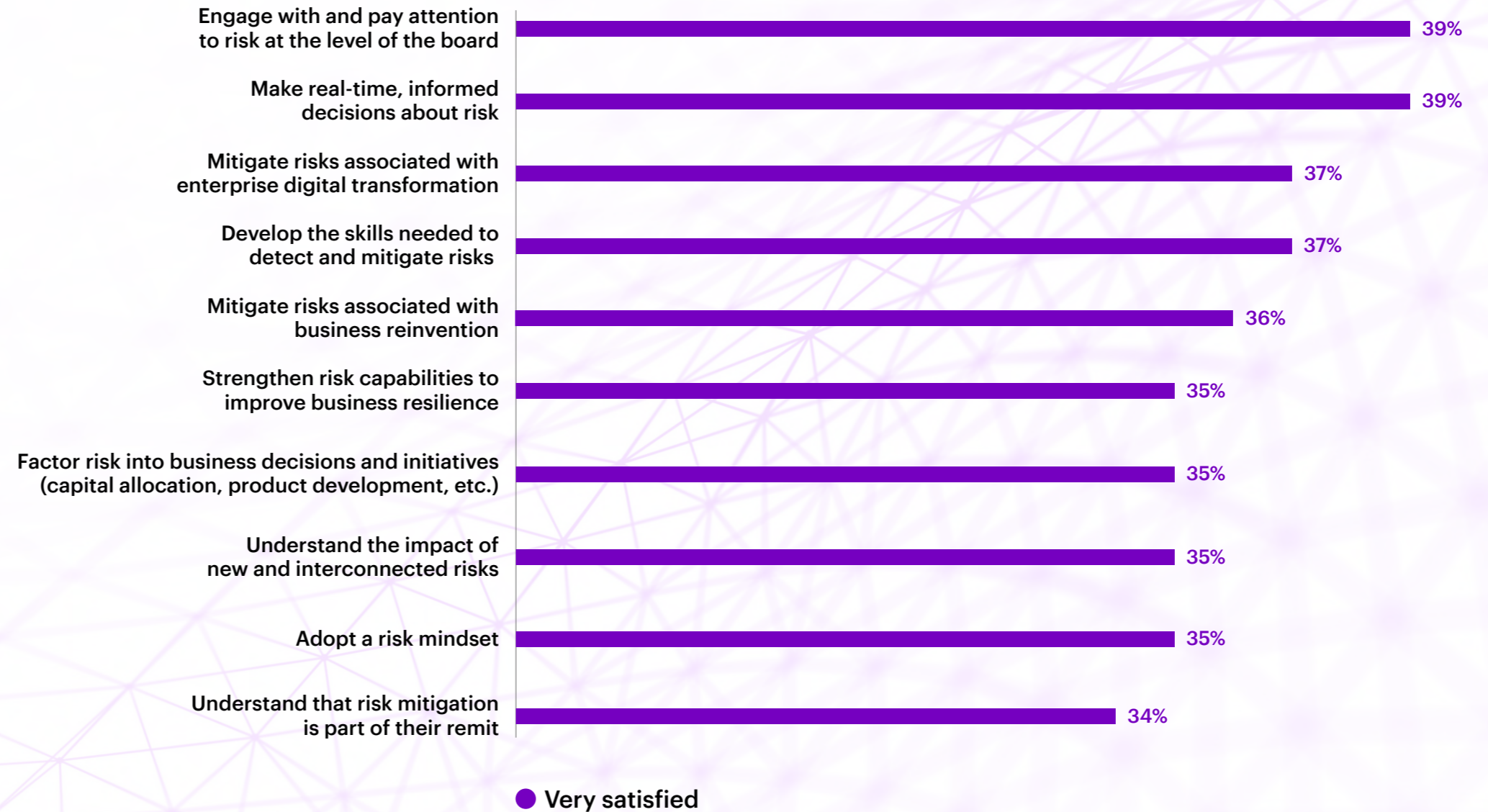
The good news from our Risk Study is that 82% of respondents say that, outside of risk teams, businesses are becoming more aware of risk. However, there is work to be done to create an organizational risk culture (see Figure 10):

- **Just 35% are “very satisfied” with the business’s ability to adopt a risk mindset**
- **Only 34% are very satisfied that the business understands that risk mitigation is part of their remit**

FIGURE 10

More work is required to build an enterprise-wide risk culture

Q: How satisfied are you with the wider business’s ability (outside the risk function) to do each of the following with respect to risk?



Percentages indicate those that are ‘very satisfied’ with the business’s ability to do each of the above-noted activities with respect to risk

Base: All answering - Total = 707 | Source: Accenture Risk Study, 2023

Risk teams need to support the business to build up its capabilities. But this will not be easy: 77% of risk functions struggle to support the wider business in developing risk capabilities and a risk mindset.

“My top priority is to enable and empower the first line of defense,” says Riccardo Roscini of UniCredit. “We need to ensure that the first line not only feels responsible for generating revenue, but also for identifying and mitigating risks. We need to get the culture right first, and then follow up with skills and tools.”

Aviva’s Joanne Ryan adds: “The first line really needs to own risk management. Our job is to support that, provide the frameworks, review, challenge and oversee how they are managing risk.”

The surveyed risk leader group has had far more success in equipping the wider business to manage risk: 57% of leaders are “very satisfied” with the business’s ability to develop the skills needed to detect and mitigate risk, compared with only 27% for the less mature group (see Figure 11).

A quick take on how risk teams (the second line) and the business (first line) can build a close working relationship:

1. Enhance skillsets:

Risk teams need to have knowledge and expertise in the type of risk on which they are advising business functions. It is especially beneficial to recruit individuals from the first line (operational roles) into the second line (risk management roles) and vice versa.

2. Target consultation, not checklists:

Risk teams need to adopt a consultative and collaborative ethos. Appearing to “mark the homework” of the first line based on an inflexible checklist will not encourage the business to adopt a risk mindset. The ultimate objective should be to embed the first line into day-to-day risk management.

3. Resist temptation to establish line 1.5:

Under what can feel like a bombardment of controls and requirements from the risk team, business teams have in the past established a de facto “line 1.5”—essentially, their own risk team. A strategy many large banks adopted and ultimately dropped.

Across all surveyed dimensions, risk leaders outperform their peers with less mature capabilities. They are four times more likely to say they are “very satisfied” that the business understands that risk mitigation is part of their remit. They are over two times more likely to be “very satisfied” that the business understands the impact of new and interconnected risks, and two times more likely to be “very satisfied” that the business is adopting a risk mindset. As well, our analysis shows that risk leaders are more attuned to risks on the rise and far more capable of identifying the impact of individual risks on each other than their less mature peers.

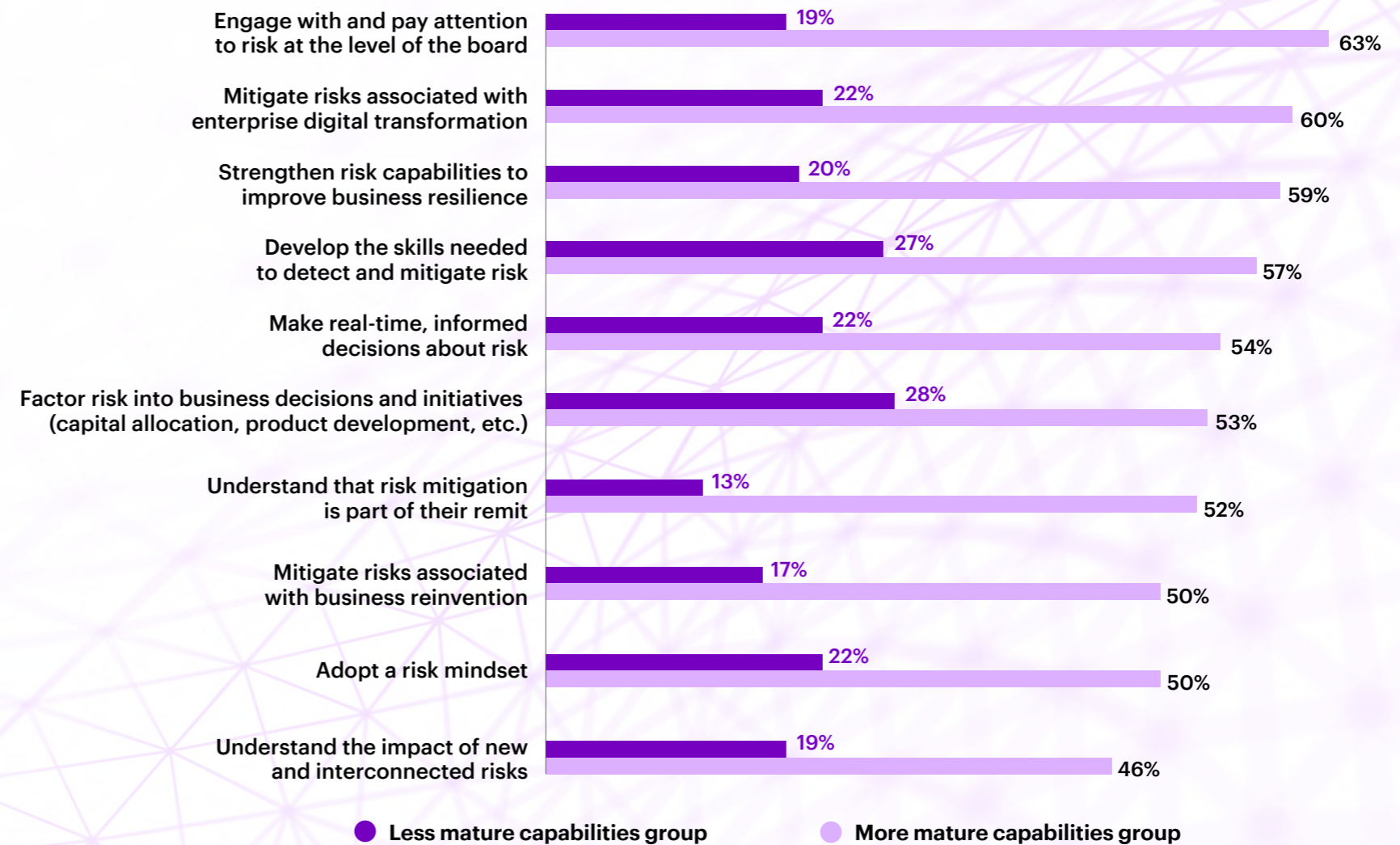
Risk leaders can help build a risk culture that embeds accountability for risk management across the business, driving greater resilience and positioning organizations to seize opportunity from hyper-disruption and change.

It is essential to offer clear, evidence-based practical recommendations on how to effectively manage risk within the business. “There’s always some initial resistance when the risk team attempts to get the business to focus more on risk,” says Richard Treagus at Old Mutual. “But you’ll get a much better reaction if you do your homework, evidence your thinking, and provide practical recommendations and assistance to help the first line incorporate risk into their work.”

FIGURE 11

Risk leaders are empowering the business

Q: How satisfied are you with the wider business’s ability (outside the risk function) to do each of the following with respect to risk?



Percentages indicate those that are ‘very satisfied’ with the business’s ability to do each of the noted activities
 More mature group = 103; Less mature group = 103 | Source: Accenture Risk Study, 2023



A quick take on strengthening risk capabilities and breaking down silos

Avoiding siloed thinking is critical to fortifying risk management capabilities and removing barriers to identifying, assessing and mitigating risks across the business. This needs to happen in three ways:

Evaluate risk interdependencies:

Risks do not exist in a vacuum — they rapidly exacerbate other threats, leading to severe, unexpected disruption. For example, the survey data reveals that fraud risk increases materially when second-order impacts like societal and financial risks are considered. Evaluate not only individual risks but also consider how they might worsen other threats when they escalate.

Align the risk and business teams:

Risk executives need to build a closer working relationship with the business. The benefits are twofold: risk teams can improve their understanding of business strategy; and it encourages the business to adopt a risk culture and mindset.

Integrate risk-transformation activities:

Initiatives to improve a particular process or manage a specific category of risk can take place in isolation, leading to a duplication of effort and resources. Leadership needs to proactively connect risk-transformation initiatives, paying particular attention to risk, finance and treasury teams.

Risks often “hide in plain sight” and organizations need to look harder and more broadly at their exposure.



A quick take on avoiding duplication of efforts

All too often, when there is a need to mitigate an emerging risk or comply with a new regulation, businesses create completely new teams. This creates new processes, data, systems and tools, and is a duplication of effort that adds to the challenge.

The same underlying technology and data can often be used to mitigate multiple risks and demonstrate compliance. Avoid falling into this trap by tasking a single team to manage and analyze data across all risk types.

Reinventing risk management can propel growth

Risk leaders enable growth and business resilience. With the confidence that threats are being identified, measured and minimized, they help their organization take on more risk. An inadequate focus on risk not only leaves businesses vulnerable, but also undermines growth and reinvention.

Risk teams can also directly contribute to growth and transformation. For example, multinational energy company Phillips 66 is leveraging the risk team's daily calculations of risk exposure to optimize its trading of hydrocarbons.

While J.P. Morgan offers access to its proprietary quantitative models, market data, and real-time risk assessment technology through its risk-as-a-service toolkit and managed service.⁹

Competing businesses have also joined forces to help fight risk. For example, FrauDfense, which combines the anti-fraud capabilities of Banco Santander, BBVA and CaixaBank, is considering offering its service to third parties.¹⁰

A quick take on why you need to pay attention to fraud risk

Organized crime syndicates target insurance providers at the point-of-sale, leveraging policies to legitimize illicit businesses or as part of large-scale claims fraud schemes (e.g., staged accident rings). This type of fraud risk cuts across the entire policy ecosystem from point-of-sale to finance to claims to investigations.

This type of threat can go completely undetected, or insurers may catch fraud on an application-by-application, or claim-by-claim basis; leaving the true depth of bad actors on their books undetected. Defenses should start at the point-of-sale to prevent organized crime rings from getting in the door; and for those that make it through, insurers need to deploy tactics such as network analytics that incorporate disparate data and identify indicators of this type of threat.

“There are many ways that the risk team’s work can lead to business opportunities,” explains Riccardo Roscini of UniCredit. “We have developed transaction-based models that help identify when a client processes fewer transactions on their accounts. This could be a signal that the business is experiencing issues. But it could also be an opportunity, because it can trigger a relationship manager to contact the customer and have a conversation.”

A view shared by a survey respondent whose risk team’s strategy is focused on growth over the next few years. The key for them is to help the business take the right risks rather than stopping it from taking risks altogether.

Most surveyed risk executives (80%) want their teams to devote more time to value creation and innovation, but there are roadblocks. Three-quarters say risk professionals aren’t connected enough with the business for this, and 81% say balancing existing duties with value-adding activities is a major challenge.



Conclusion

Andrée and his fellow explorers ultimately failed to reach the North Pole because they did not foresee how individual threats and incidents could escalate and compound each other. They simply did not appreciate the scale of the challenge ahead of them and the potential to be plunged into perilous situations.

They were prepared to deal with individual risks, but not with the interlocking web of threats.

Unlike Andrée, businesses today cannot be accused of underestimating threats: 77% say risks are more difficult to detect and manage than ever before and 81% say risks in other sectors affect their business.

But, just like the explorers, businesses are underprepared and may not fully understand how risks are interconnected. A majority (72%) say their risk management capabilities have not kept pace with the rapidly changing landscape.

There is a path forward. Our Risk Study: 2024 Edition finds that leading risk teams never stop striving to improve. They recognize that achieving certain objectives, like easy access to risk data or perfect alignment between functions, may be challenging. Nevertheless, they continue in their endeavor to maximize resilience.

Every business can gain valuable insights from risk leaders, who are better prepared and agile to respond to a business landscape where risk is everywhere and where risk can propel resilience and growth.

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About the research

The findings in this report are based on a survey of more than 700 risk professionals across Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Saudi Arabia, Singapore, Spain, the United Arab Emirates, the United Kingdom and the United States between April and June 2023. Participants were sourced from the following sectors: banking; capital markets; consumer goods and services; energy; high tech; insurance; pharmaceuticals; retail; software and platforms; telecommunications and utilities. Thirty-eight percent of survey participants were from companies with over \$10 billion in revenue. All remaining participants work for a business generating at least \$1bn in revenue. Survey results for 2021 are occasionally slightly different than in our previous report due to sampling changes in our 2023 survey. To supplement the survey data, case examples are based on research interviews or Accenture client engagements unless otherwise sourced.

We wish to thank the following executives for their participation and valuable insights and perspectives.

Joanne Ryan

Chief Risk Officer, Aviva Insurance Ireland

Richard Treagus

Chief Risk Officer, Old Mutual

Stefan Spreiter

Chief Risk Officer, Swiss Life Asset Managers

Riccardo Roscini

Head of Group Enterprise Risk Management, UniCredit

This report showcases survey results of businesses demonstrating more mature and less mature risk management capabilities. These groups are defined using the survey data only. An index score is created based on respondents' maturity with respect to detecting and quantifying risk, technology, data, skills, agility and risk management capabilities outside the risk function. A total index score is then created by taking an average score across each of these areas. The top 14.5% of total scores are then defined as leaders and the bottom 14.5% as having less mature capabilities. The remaining sample (71%) fall somewhere between these two groups.

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