Accenture 2013 Global Risk Management Study

Risk management for an era of greater uncertainty

High performance. Delivered.

accenture

consulting | technology | outsourcing

Contents

Research and interviews were conducted by Accenture and Oxford Economics, who collaborated to write this report.

About the research

This report is the third edition of the Accenture Global Risk Management Study, first published in 2009. It is based on a quantitative survey of executives from 446 organizations carried out in 2013. Participants came from seven industries and two public services subsectors (government administration and postal services). All respondents were C-level executives involved in risk management decisions. Surveyed respondents were from Europe (35%), North America (31%), Latin America (9%), and Asia Pacific (25%). About half the companies (46%) had annual revenues over $5 billion, and 54% between $1 billion and $5 billion. Respondents included Chief Risk Officers (CROs, 25%), Chief Executive Officers (CEOs, 20%), Chief Financial Officers (CFOs, 25%), Chief Compliance Officers (CCOs, 22%), and Chief Operating Officers (COOs), risk controllers, and internal auditors (combined 8%).

We also conducted in-depth interviews in 2013 with senior leaders from 37 leading organizations based in Asia Pacific, Europe, Latin America, and North America, and across our seven focus industries and two public services subsectors. These provide supporting insights for our data-driven research, while further exploring lessons and perspectives from top organizations that are setting the pace for risk management in their sectors.

Regions

	Count	Percent
Europe	155	35%
North America*	140	31%
Asia Pacific	111	25%
Latin America	40	9%

* North America includes the US and Canada

Industry

	Count	Percent
Insurance	98	22%
Banking	63	14%
Energy	55	12%
Utilities	50	11%
Healthcare	46	10%
Capital markets	45	10%
Life sciences	42	9%
Government administration	24	5%
Postal	23	5%

Note: Due to rounding, totals may not equal 100%
Source: Accenture 2013 Global Risk Management Study

Foreword

Steve Culp
Global Managing Director,
Accenture Risk Management

Welcome to Accenture's 2013 Global Risk Management Study.

At a time when we are all busy and the rules of the game are increasingly changing, it is important as risk leaders to take some time to gather our thoughts and plan the course ahead.

This year's research effort, titled "Risk management for an era of greater uncertainty," recognizes this need. I hope that you will benefit from this effort to bring together our marketplace findings and insights and be able to take away actions for your organization.

One recurring theme from client discussions and related research efforts over the past months has been that of "Risk and Connectivity." In 2009 we saw risk management as "moving beyond compliance" and in 2011 as "a source of competitive advantage." Now we are seeing risk management become increasingly connected in many different ways throughout organizations.

This connectivity theme is playing out in the governance and leadership structures, in the analytics and reporting outputs, in the integration and alignment with other key functions (e.g., Finance, Operations, IT), in the investment and decision-making processes, and importantly in the talent agenda. From my vantage point, these levels of connection are a strong confirmation of the progress risk management has made over recent years and is a positive leading indicator that risk capabilities will have more permanence—even when the complexities of today's "new normal" are tamed and business and consumer confidence return.

Our findings for this report have been gathered through a global effort, across multiple industries—and throughout the document we have tried to draw out comparisons and contrasts between different sectors where relevant. To supplement our global report we have also written a series of industry-specific reports that go into greater detail on our risk management findings in a number of industries.

These industry reports, along with a host of additional complementary materials and information, are available at www.accenture.com/globalriskmanagementresearch2013. I encourage you to visit the site from where you can easily share information with peers and colleagues.

I hope that these materials can help you and your teams address your risk management challenges in an era of greater uncertainty.

Executive summary

The global macro-economic environment remains challenging without any apparent signs of easing. Global operating models can add a mixture of efficiency and complexity to virtually every business today. Technology continues to connect us faster and with more ease, but maintaining volumes of data and keeping levels of consistency is ever harder. Regulatory requirements are increasing, both in terms of sheer number of regulations but also in levels of specificity. Consumers are better informed and more demanding. And competitors, both new and old, are looking for ways to expand their market share at a time when growth remains low.

Against this backdrop, we surveyed nearly 450 global risk professionals as part of our 2013 Global Risk Management Study,[1] gathering their insights on how they and their risk management function are helping to respond to these challenges.

What we see in the marketplace and what we hear from the respondents is that the role of risk management is rapidly evolving. According to the study, the vast majority (98%) of surveyed respondents report an increase in the perceived importance of risk management at their organization. One phrase that resonated with us was "Action is not optional". That is seen as true both for the broader organization and for the risk management function.

At one time, risk management in many organizations could be described by some as "the department that says no". Today we would characterize risk management more as "the department that enables execution".

How organizations are responding

How do we see risk management changing? First, we see much more connectivity with—and from—the top. The proportion of surveyed organizations having a CRO, either with or without the formal title, has risen from 78% in 2011 to a near-universal 96% in 2013.

Second, from survey responses we see risk management as being much more integrated and connected, playing a much larger role in decision-making across the organization—particularly in budgeting, investment/disinvestment, and strategy.

And third, survey respondents see risk management as enabling growth and innovation. In order to survive—and certainly to grow—every company should strive to innovate and move its business forward. Simply pushing forward without understanding and mitigating the risks ahead could ultimately lead to disaster in some form. To enable growth and innovation, effective and integrated risk management capabilities should be implemented early and throughout the process. And these capabilities are scarce – both within the companies we talked to in this research and also in the market at large. So risk management capabilities should be prioritized and focused on the things that matter to move the needle for the organization.

Challenges for the risk function

"Be careful what you ask for ... you may get it."

For many years the risk function has seemingly pushed to be better heard and more leveraged. Now that this appears to be a reality for many organizations, a different set of challenges is emerging.

One of the central issues is the availability of talent. There is not enough overall talent, and the existing risk team often may lack many of the softer skills needed for effectiveness in roles which are closer to the business and strategy execution.

In our 2013 research we found that both risk technologists and regulatory change program managers are reported as being in short supply. To develop skills beyond the core risk disciplines we found organizations increasingly using innovative techniques, such as rotational training and combining risk and strategy roles, to help improve these qualities as well as to help improve retention rates in an increasingly competitive talent market.

Research participants also cited the challenge of improving the ability to turn data into insights. The volume of data is ever-increasing, as is the number of systems, reporting tools and end-user-applications.

Many organizations say they want to make better use of analytics, but it is apparent that there is still plenty of ground to cover here. High-performance risk management organizations are taking a focused approach to embed analytics into their management processes. They are doing so by, among other measures, improving data quality and developing actionable dashboards for management related to specific, focused issues. They are also cultivating risk technology's "human element" through training and other measures to help make findings from risk analytics actionable and insightful.

Regulatory concerns were, of course, high on the list of challenges for risk respondents in the market today. Responding organizations seem to have, in general, improved their compliance management effectiveness but continue to be challenged by the pace and scale of regulatory change.

Many respondents said that they were focused on improving the relationship with their regulators as a specific objective – a much more explicit categorization than we saw in previous surveys.

Conclusion: Four things to do differently

Since publication of the first Accenture Global Risk Management Study in 2009,[2] it is clear that many organizations have made great strides in developing risk management functions, but others have been left behind.

Our 2013 Global Risk Management Study finds nearly all surveyed firms give higher priority to risk management now than they did two years ago. But there is still much room for improvement.

There appear to be large gaps between expectations of the risk management function's role in meeting broader goals and its perceived performance— for every organizational goal we surveyed.

In the following pages we have provided a wealth of data and many examples of how others are addressing the various challenges to more effectively manage risk in an era of greater uncertainty.

The Report lays out in more detail the current market pressures, shares insights on how firms are leveraging the risk management function to respond to these challenges and provides data and examples of what it can mean to be a high-performance risk function.

However, to provide some "sign-posts" as you read through the information, we identified four of the more significant key actions which are evidently helping organizations reach their risk capability goals for 2015.

1. Treat risk as a "people game," developing risk staff with business acumen.

If the risk management function is to play its elevated role more effectively, it increasingly will rely on risk staff with a deep understanding of the broader business.

2. Look ahead, as new types of risks are relentless, and develop capabilities that match tomorrow's risks.

Risk capability plans should aim to be at least in concert with the organization's business development plans, and often should be leading, rather than lagging.

3. Manage regulation through a transformational lens.

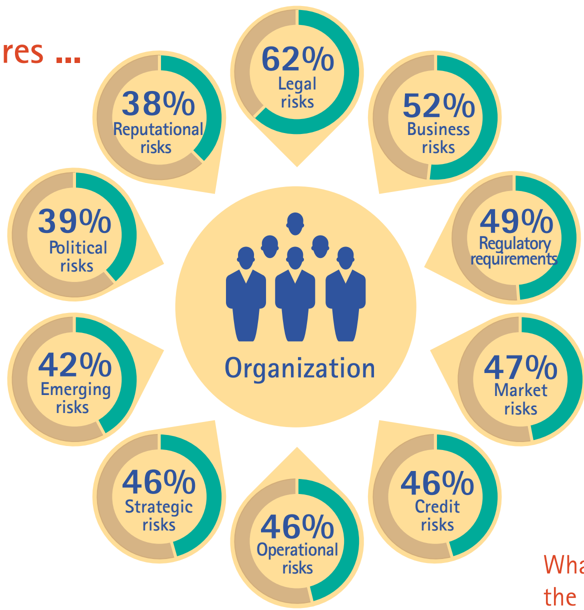
Many industries are being forced to rethink their business models, processes, reporting and data structures to better enable effective regulatory solutions. Seeking the opportunities to align these efforts with the business change agenda can lessen future complexity.

4. Focus on insight, not just data and analytics, and develop the "human element" of risk technology.

It is important not to miss the forest for the trees: technology, data, and analytics can only have value if their insights can be put into action.

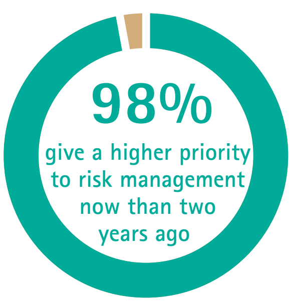
Key findings

Top external pressures ...

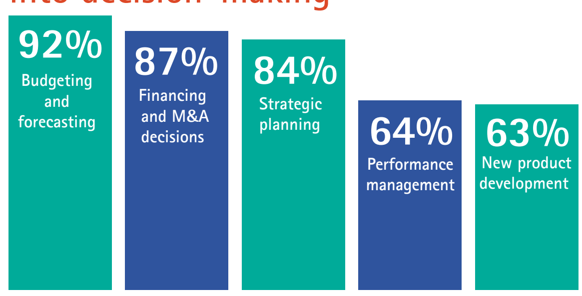


What risks do executives see rising most over the next two years?

are causing firms to give more emphasis to risk management ...

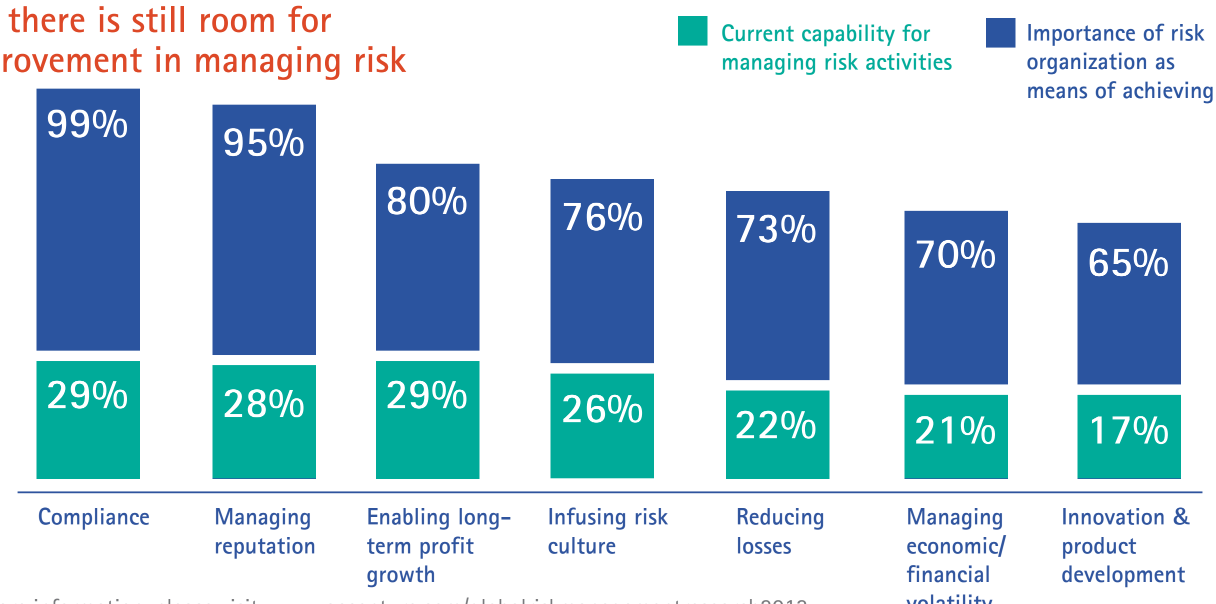


... and integrate it into decision-making



Extent that risk management is integrated within other business functions.

But there is still room for improvement in managing risk



For more information, please visit: www.accenture.com/globalriskmanagementresearch2013

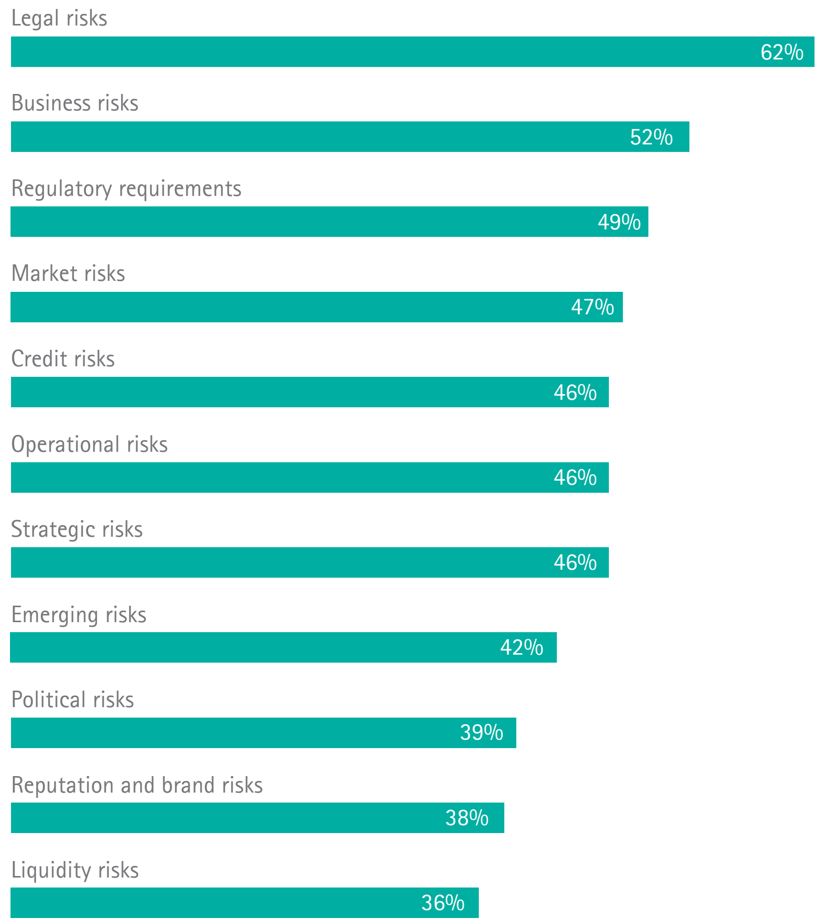
Section 1
Current market pressures

Many of the stresses associated with the global financial crisis have largely receded, but if risk professionals were expecting space to catch a breath, they are likely to be disappointed. A "new normal" of weaker global economic growth and greater uncertainty is contributing to a rise in business risks, such as pressures on margins, according to respondents. A regulatory landscape of current and proposed legislation, including Basel III, Dodd-Frank in the US, Solvency II in Europe, and tighter corporate governance requirements, such as provided under the Sarbanes-Oxley Act, creates uncertainty and complexity.[3] Meanwhile, austerity pressures are creating headaches for the public services sector, and the threat of higher taxation is ever-present.

Indeed, all risks covered in our survey are expected to increase over the next two years, according to a sizeable share of respondents. Legal risks (62%), business risks (relating to changing volumes, margins, or demand, 52%), and regulatory requirements (49%) top the list (see Figure 1). Market risks (47%), operational risks (relating to processes, people, systems or external events, 46%), and credit risks (46%) are also forecast to rise.

Figure 1. Top risks expected to rise over the next two years

How do you expect the following risks to change over the next 2 years? (Proportion saying "significantly rise" or "rise somewhat")



Source: Accenture 2013 Global Risk Management Study

"It is easy to say what the risks are, but if you do not have the instruments to see them or hear them coming, that is a problem," says Sander van 't Noordende, Accenture's Group Chief Executive of Management Consulting.

Naturally, the specific risks vary according to company and industry. Daniel Imhof, Risk Director of Hoffmann-La Roche, points to health-care reform in various countries as an example of legal and regulatory pressures. "We realize now that we could have moved more effectively in anticipating and adapting to regulatory changes," he says. "Specific developments related to regulatory issues triggered greater recognition that risk management is important, raising the profile of risk management in our organization."

Business risks are being driven largely by competition for market share as market growth slows due to the weak economic recovery. "We have entered an insurance market where financial products return less profit, in a context of a sustained slowdown in the European economy," argues Hélène N'diaye, CRO of Generali. "A significant focus on optimizing both underwriting policy and portfolio management will be needed, which is a 'new paradigm.'"

Perspectives from the global risk dashboard

Our global risk dashboard shows the top five risks that each industry we surveyed expects to rise over the next few years. Business risks, including pressures on volumes or margins, is the only risk type to rank in the top five for each industry surveyed. This likely reflects intensified competitive pressures in an environment of slower market growth. Legal risks rank among the top five risks for all nine industries we surveyed with the exception of capital markets. Regulatory requirements rank as a top five risk category for all surveyed industries with the exception of energy, healthcare, and postal services. Industry respondents are more sharply divided in their perceptions of credit risks and market risks. The banking, capital markets, utilities, healthcare, and postal industries see credit risks among the top five. In a climate of continuing uncertainty over the fate of the Eurozone, there seems to be a sharp divide in perceptions by industry of the extent to which market risks will rise.

Figure 2. Industry respondents' top five risks expected to rise over the next two years

Based on responses to "How do you expect the following risks to change over the next 2 years?" (Proportion saying "significantly rise" or "rise somewhat")

	Banking	Capital markets	Energy	Government administration	Healthcare	Insurance	Life sciences	Postal	Utilities
Legal risks	1		1	1	1	1	1	1	3
Business risks	2	3	3	3	2	3	3	4	5
Regulatory requirements	5	1		4		5	4		1
Market risks						2	2	5	2
Credit risks	3	2			3			2	4
Operational risks		4	4	5			5		
Strategic risks			2		4	4		3	
Emerging risks	4	5		2					
Political risks					5				
Reputation and brand risks									
Liquidity risks			5						

Source: Accenture 2013 Global Risk Management Study

For many years, economic, financial, and regulatory shifts have tended to dominate the risk map. The sudden rise of business risks underscores that firms must look ahead. Even as current risks fall, new threats will appear. "Identifying risk is one thing, but sensing that a risk is materializing is another," says Sander van 't Noordende, Accenture's Group Chief Executive of Management Consulting. "It is easy to say what the risks are, but if you don't have the instruments to see or hear it coming, that is a problem."

Raising the profile of risk management

To cope with a more complex and uncertain business environment, companies are elevating the role of risk management and integrating it into their corporate strategies. Organizations recognize that an effective risk management function will most likely have a direct line to the top. As a result, 96% of risk management owners now report directly to the CEO (see Figure 3).

As further indication of the rising importance of risk management, our survey shows greater involvement among the board in understanding and addressing risk. "We have seen a noticeable change in both the make-up and activity of boards as it relates to risk management," says Steve Culp, Managing Director at Accenture Risk Management. "Boards today are more actively engaged and better prepared to ask the questions pursuant to the risk agenda—less frequently pushing the discussion down to committees." More than eight out of 10 risk management owners report regularly on risk to the board (see Figure 4).

Figure 3. Reporting to the CEO

Does the risk management owner report directly to the Chief Executive Officer?

Source: Accenture 2013 Global Risk Management Study

Figure 4. Reporting regularly to the board

Is the risk management owner required to report on and discuss risk issues regularly with the board?

Source: Accenture 2013 Global Risk Management Study

Organizations are also investing in staff and skills as part of their efforts to elevate the risk management function. In fact, risk is one of the few functions where most reporting organizations steadfastly have refused to cut staffing: only 3% of those surveyed reduced their risk staff; 58% increased their staff.

In many areas we find that companies have achieved goals they reported in our 2011 Global Risk Management Study. For instance, they have almost universally elevated the head of risk to a senior executive role. They have increased the level of integration of the risk management function in business decision-making. They have not, however, achieved all their goals.

For instance, one area where organizations continue to struggle is in moving beyond compliance. Instead, as we shall see, compliance capabilities appear to have improved significantly, with much less improvement in other areas, particularly in relation to risk management's role in achieving broader organization goals.

What sets Risk Masters apart?

"Risk Masters" are organizations with highly developed risk capabilities, identified using our Risk Mastery capability scale. Masters scored at least one standard deviation above the mean. They comprise approximately 8% of the survey population. They also generally achieve financial performance above the industry average.

Risk Masters include risk considerations in the decision-making process across strategy, capital planning, and performance management. Masters also better integrate their risk organization into operations, establishing risk policies based on their organization's appetite for risk. And they delineate processes for managing risks that are communicated across the enterprise. These activities are supported by robust analytic capabilities that reinforce efficient compliance processes and provide strategic insight.

How else do Risk Masters differ from other respondents in the study?

1. **Masters are more likely to have a CRO in charge of risk management:** 58%, compared with 42% for non-Masters.
2. **The risk management owners among Masters have more board involvement:** For Masters, 88% of risk management owners communicate regularly on risk with their boards of directors (vs. 80% of non-Masters). And 45% of Masters' risk management owners report to the board more often than quarterly (only 36% of non-Masters).
3. **Masters face fewer impediments to the overall effectiveness of their risk management functions.** Masters are far less hampered by lack of engagement on key risk issues by senior management (42%, vs. 55% for non-Masters). Insufficient talent in the risk management function impedes its overall effectiveness for just 33% of Masters, compared with 42% for non-Masters. And Masters are less likely to lack budget for making necessary investments in the risk management function (30%, vs. 38% for non-Masters).
4. **Risk Masters have a more integrated risk management function that plays an elevated organizational role.** They are more likely to report complete integration of the risk management function in their organization's decision-making process for strategic planning, capital projects, and budgeting and forecasting. They also report deeper involvement of the risk management function in "reach" areas such as performance management and incentives, where 79% report the risk management function is completely or largely integrated (compared with 63% for non-Masters).
5. **Masters also are more focused on strategic and emerging risks:** For example, 48% of Masters consider the risk organization's role as critical in managing reputational risk, compared with 28% of non-Masters. Masters also see the risk management function as critical in reducing the cost of capital (36%, vs. 20% of non-Masters). And 39% of Masters see the risk management function as critical in enabling long-term profitable growth—10 percentage points higher than non-Masters.
6. **Masters are better at recruiting, retaining, and training staff.** Weak recruitment strategy impedes the ability to keep or obtain skills needed in the risk management function in only 36% of Masters (51% of non-Masters). Weak retention strategies or programs impede 24% of Masters in keeping or obtaining skills necessary for the risk management function (vs. 42% of non-Masters). Insufficient training programs impede the organization's ability to keep or obtain staff in 39% of Masters and 51% of non-Masters. And high compensation required by staff with the required skills hampers Masters' ability to keep or attract the skills needed in the risk management function in only 15% of these organizations (vs. 40% of non-Masters).
7. **Masters are ahead of the curve in using Big Data and analytics.** Non-Masters face many more challenges in using risk analytics. Only 36% of Masters report they lack skilled staff to develop analytical models, compared with 51% of non-Masters. Only 27% of Masters have difficulty embedding risk analytics in management processes and turning data into information and insight (vs. 46% of non-Masters). Just under one-third of Masters have outdated legacy systems and limited systems integration (compared with about 45% of non-Masters). And, only 18% of Masters have limited or poor-quality data (vs. 38% of non-Masters).

And so, organizations continue to invest heavily in risk capabilities. As many as 53% of surveyed organizations plan to increase investment over the next two years (see Figure 5). This shows an ongoing, near-universal focus on risk. In 2011, we found an overwhelming majority (83%) planning to increase risk investments.[4] In 2013, 45% plan to maintain investments at these elevated levels, and only 2% of those surveyed expect their risk investments to decline in the years ahead.

Becoming a high-performance risk organization

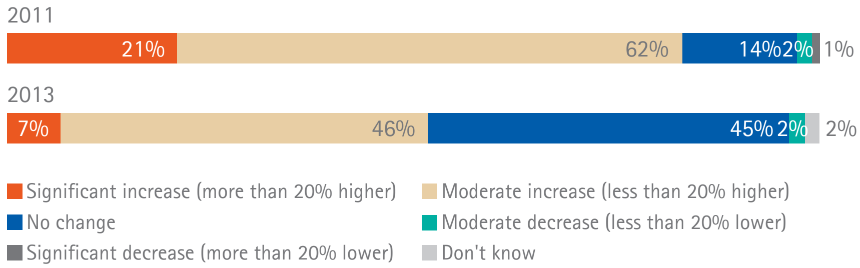
One area where organizations continue to struggle is in fulfilling broader business expectations for the role the risk management function will play. Even when risk management functions succeed in managing risks on a day-to-day basis, they may fail to meet expectations—as a result of broad reporting requirements and other pressures—to provide value to the rest of the organization.

Indeed, the risk management function's perceived accomplishments in achieving broader organizational goals such as capital allocation, risk-adjusted performance management, reduction of operational, credit, or market risks, and management of economic and financial volatility has actually decreased for survey respondents (see Figure 6). The only area where a marked increase is apparent is compliance. This suggests the focus of risk management in some organizations may have become unbalanced, and risk managers may at times be prioritizing compliance requirements ahead of business value.

A focus on regulatory and legal risk may mean organizations are not anticipating newer hazards—such as digital security risks.

Figure 5. Risk management function investment plans: 2011 vs. 2013

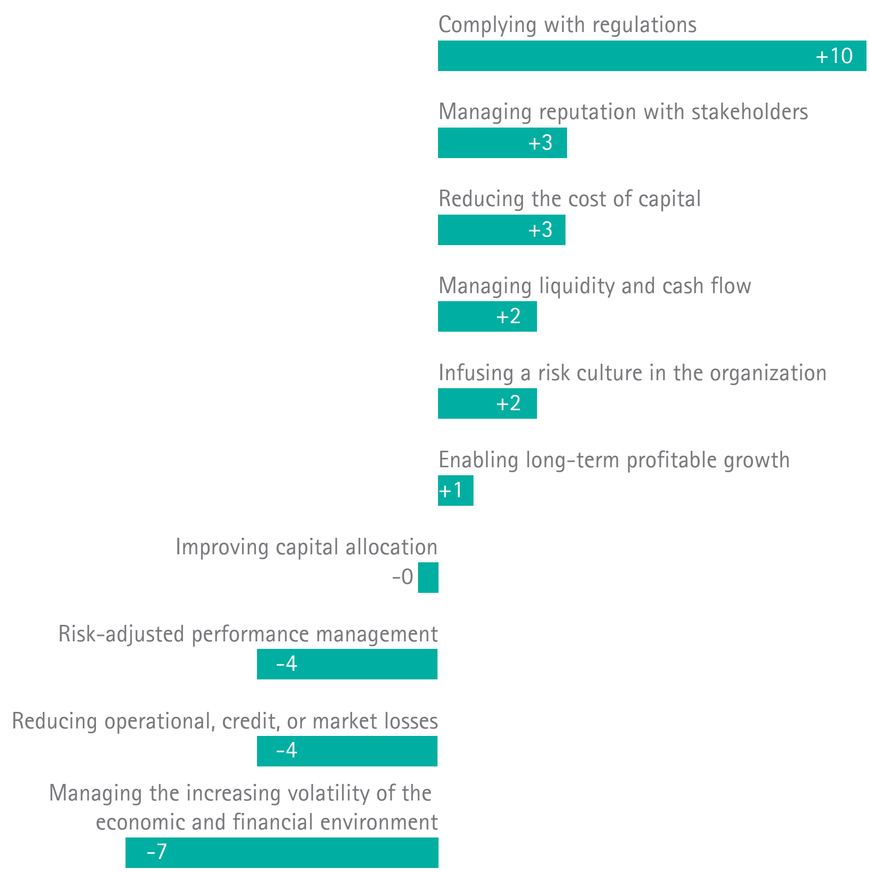
How will the total level of investment to develop risk management capabilities evolve in the next 2 years?



Note: Due to rounding, totals may not equal 100%
Source: Accenture 2013 Global Risk Management Study

Figure 6. Changes in perceived risk management function achievement since 2011

To what extent have risk capabilities helped your organization achieve the following?



Figures indicate increase (+) or decrease (-) in perceived risk function achievement since 2011 in percentage points
Source: Accenture 2013 Global Risk Management Study

Comparing respondents' perceptions of achievement of organizational goals with the level of importance of those goals reveals more sobering news: for each goal surveyed, there is a gap of at least 46 percentage points (see Figure 7). This suggests that delivering business value remains a challenge.

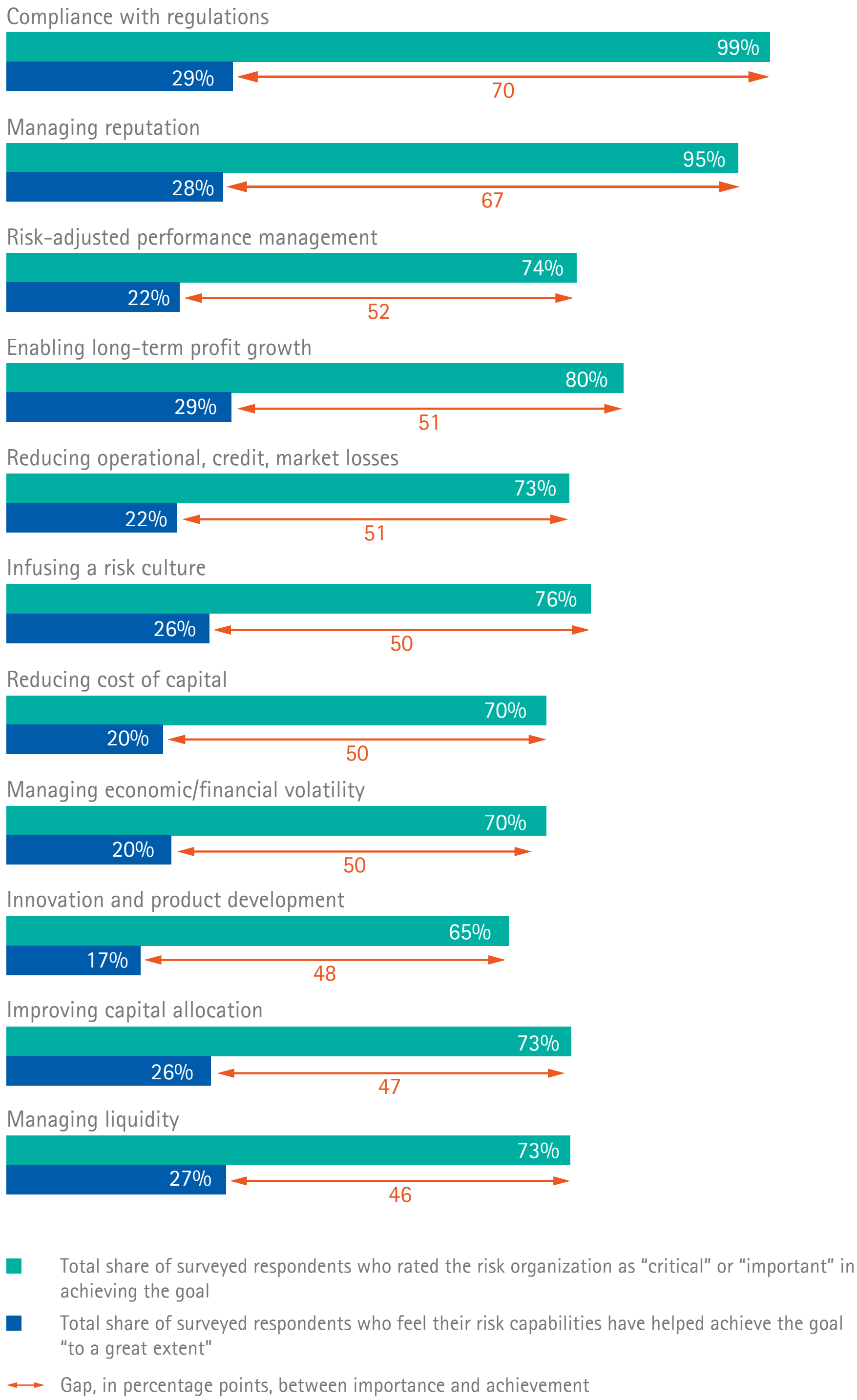
The largest gap (70 percentage points) is in the traditional area of regulatory compliance. Risk management functions are currently focused on closing this gap, and achievement in compliance with regulations has risen notably since 2011.[5] Compliance challenges continue to escalate, however, in the form of new, comprehensive, and overlapping regulation. "Many geographic expansion plays were made at a time when regulations were more principles-based," explains Accenture's Mr. Sander van 't Noordende. "The long-term exposure to regulatory fragmentation was there, but not accounted for."

A focus on regulatory and legal risk and compliance may also mean organizations are not anticipating newer hazards—such as digital security risks. And gaps for other goals, such as managing reputation, risk-adjusted performance management, and enabling long-term profitable growth, indicate that more work is needed to prevent the risk management function from falling behind as new risks appear. For example, many interviewees report that reputational risk has grown exponentially with the rise of social media, and "management of operational risk and reputational risk is a challenge because it needs to involve contributors beyond risk and finance," as Grégory Erphelin, CFO of Crédit Agricole Assurances, puts it.

Improving the role of risk management is a primary goal for respondents. While important progress has been made to develop the risk management function and integrate risk management at the enterprise level, companies may wish to sharpen their focus on developing high-performing risk organizations.

Figure 7. Gaps between risk management function importance and achievement

To what extent have risk capabilities helped your organization achieve the following? vs. How would you rate the importance of your risk organization as a means of achieving the following?



Note: Numbers have been rounded
Source: Accenture 2013 Global Risk Management Study

Section 2
How firms are responding to current pressures

In light of current market pressures, it is unsurprising that 98% of survey respondents report an increase in the perceived importance of risk management at their organization (see Figure 8). For some, this reflects the ongoing development of the risk management function and increasing senior management involvement, which began after the global financial crisis. "Back in 2007, we experienced some losses in asset-backed commercial paper," said Réal Bellemare, Senior Vice-President—Risk Management of Desjardins Group. "In the period since, risk management has been a lot more present within the organization," he explains.

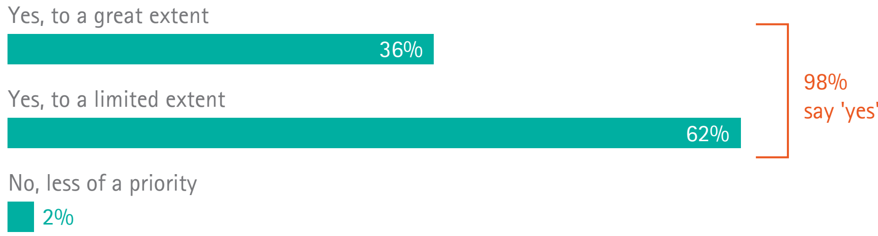
For others, the intensified focus on risk reflects entirely separate, industry-specific pressures. "In terms of unsafe practices and conditions, there is zero tolerance on such risk," notes RK Mehra, Head of International Trade and Risk Management at Bharat Petroleum, one of the largest state-owned oil and gas companies in India. "I have been working for 25 years in resources, and there has been a night-and-day change in the focus on risk," agrees Accenture's Mr. van 't Noordende. "Risk incidents today impact your 'license to operate,' and if you have a bad enough incident, you can be shut down."

In other cases, the rising importance of risk management reflects regulatory pressures. "A few years ago, the board of directors decided to redesign the whole risk management process and centralize it, basing it around financial measures of risk," explains Pascal Koradi, the CFO of Swiss Post.

Overall, in light of this rising importance of the risk management function, respondent organizations are enhancing their risk management capabilities. They are increasingly turning to initiatives aimed at developing risk management capabilities for risks associated with slower economic growth. Just under half of the organizations surveyed are currently focusing on enhancing capabilities to manage business and strategic risks. But around 90% of surveyed organizations are currently enhancing or plan in the next two years to enhance their capabilities for managing these risks (see Figure 9).

Figure 8. The increasing importance of risk management

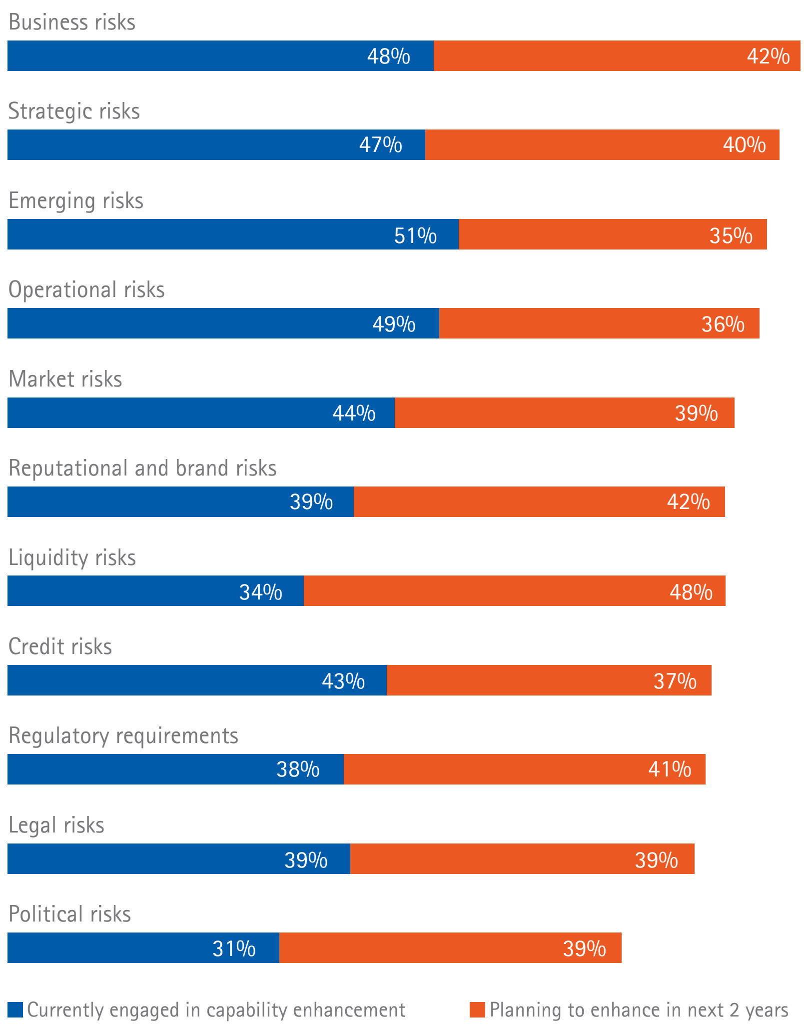
Is risk management a higher priority for your organization now than 2 years ago?



Source: Accenture 2013 Global Risk Management Study

Figure 9. Current risk-capability enhancement and plans for the next two years

For which of the following risks are you intending to enhance your corporate risk-management capabilities?



Source: Accenture 2013 Global Risk Management Study

Risk management rises to the executive suite

A dramatic trend in the wake of the global financial crisis has been the elevation of risk management ownership into an executive board-level position. The proportion of organizations having a CRO, either with or without the formal title, has risen from 78% in 2011 to a near-universal 96% in 2013 (see Figure 10). "Risk now has a senior seat, and more importantly, a voice at the executive table," notes Accenture's Mr. Culp.

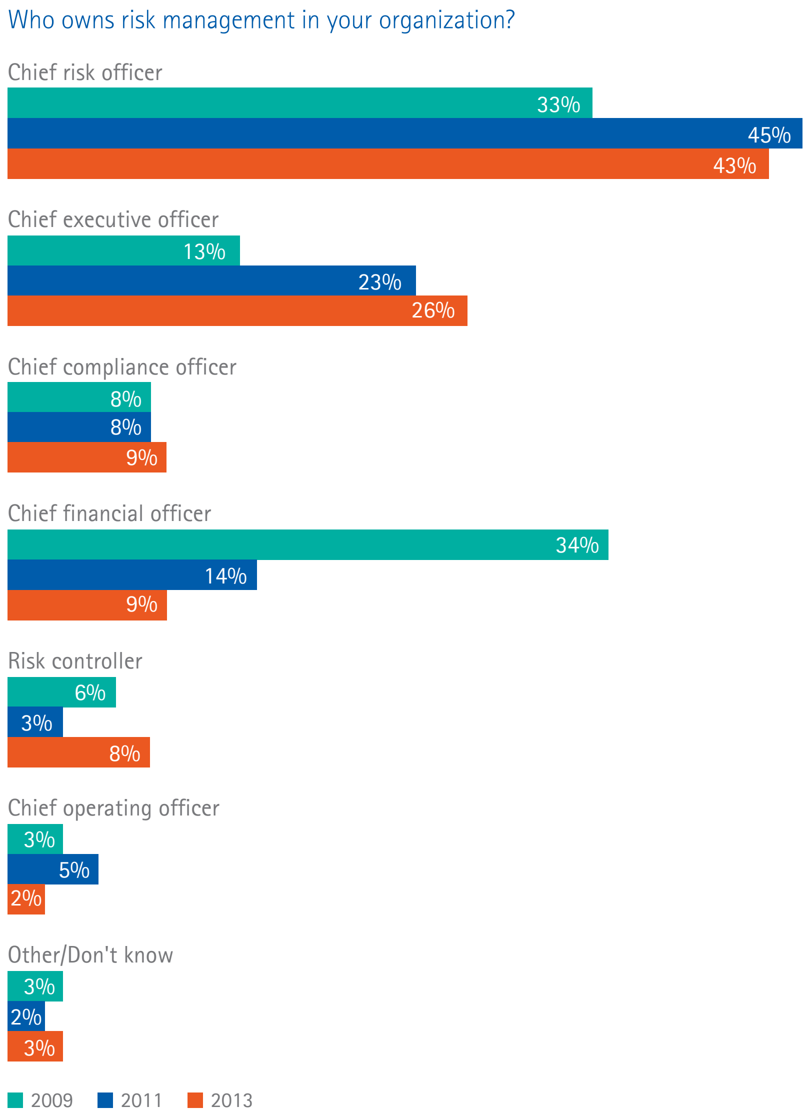
An equally dramatic trend is the reassignment of risk management ownership, from the CFO to the CRO and CEO roles (see Figure 11). Since the first Global Risk Management Study in 2009, the share of organizations for which the risk owner is either the CRO or CEO has risen from 46% to nearly 70%.[6]

"Once we decided to get into the banking business, the board of director decided to redesign the whole risk management process and centralize it, basing it around financial measures of risk," explains Pascal Koradi, CFO of Swiss Post.

Figure 10. The risk management owner is increasingly a senior executive

Not shown: A manager performs the role, no, don't know
Source: Accenture 2013 Global Risk Management Study

Figure 11. A shift in risk management ownership



Source: Accenture 2013 Global Risk Management Study

Meanwhile, the total share of firms that currently have enterprise risk management (ERM) programs or plan to put them in place has risen continuously since 2009. About 58% of organizations surveyed have ERM programs today, and 33% intend to put an ERM program in place within two years (see Figure 12), for a total of 91% penetration of ERM, up from 80% two years ago.

The proportion of organizations with an ERM program is essentially unchanged from 2011.[7] This may reflect the inclusion of sectors this year with comparatively lower rates of ERM adoption, such as the public services sector (see Figure 13). In addition, organizations that have undertaken ERM on a compliance-driven basis may be seeking to move to an ERM program that produces greater business value.

"The concept of ERM as a stand-alone management system has fallen out of favor a little bit," explains Geir Robinson, Head of Group Risk at BP. "That said, most companies I talk to all have some components of enterprise risk management working within their organization at various stages of development."

The expected rise in ERM adoption—projected to reach near-universal levels by 2015—also reflects the rising importance of risk. Antonio Joao Queiroz Lima of Eletrobras explains how his firm is now finalizing a process begun more than three years ago, which first established a risk department in the holding company and set up areas for risk and internal controls within the utility's generation and transmission companies. "The corporate risk methodology established in the generation and transmission companies was extended to the group's distribution companies in 2012," he notes.

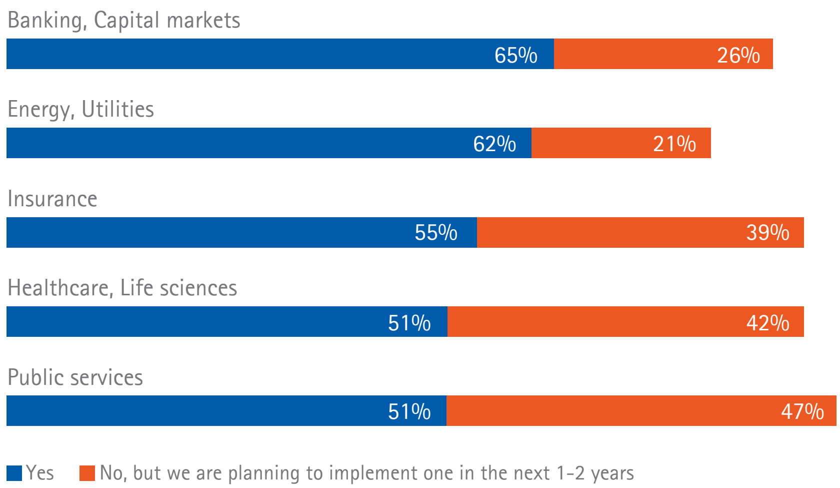
Figure 12. Adoption of ERM

Does your organization have an Enterprise Risk Management (ERM) program?

Not shown: No, don't know
Source: Accenture 2013 Global Risk Management Study

Figure 13. Adoption of ERM by sector

Does your organization have an Enterprise Risk Management (ERM) program?



Not shown: No, don't know
Source: Accenture 2013 Global Risk Management Study

While many organizations adopted ERM some time ago, such extensions of ERM to create greater business value are becoming widespread. "We are starting to push this out into the organization," says one head of risk at a US-headquartered energy company. "Early-adopter functions have developed a risk-dashboard process, which is delivered regularly to senior management." This dashboard identifies risk ownership, current risk status, and efforts required to manage each risk.

Public services organization respondents, comprising the government administration and postal subsectors, currently adopt ERM less frequently than those in other industries: 51% currently have a program, against 65% among financial services respondents. That said, the respondents least likely to have an ERM program today are those most likely to say they will put one in place within two years (see Figure 13).

While many organizations adopted ERM some time ago, extensions of ERM to create greater business value are becoming widespread.

Who should be accountable for risk?

While ownership of risk management by a member of the executive board is all but standard practice, the accountability for specific risks is a different matter. The CRO can be informed, but not necessarily responsible for all risks.

This is true at many organizations, where the risk management function is not the ultimate risk owner. "Risk management is a second line of defense," says J-M Philippe, Risk Director at Predica. "And risk management responsibility lies with business and operational managers."

One way to help accountability is to assign "risk owners" for the top risks on the ERM risk register. "For major risks, the risk owner must be a member of the board," notes Swiss Post's Mr. Koradi. According to Mr. Mehra of Bharat Petroleum, each risk has a role holder and a risk owner. The role holder has to identify the risk and develop the mitigation plan. "The risk owner—we call it the risk champion—has oversight on the risk," he explains.

Some of the reasons for making ownership of risk explicit in this way may be practical. But there is a widespread sense that no risk management function, no matter how empowered, should be thought of as "owning" risk. "The business is responsible for risk—as the first line of defense and the owner of the risk," argues Desjardins Group's Mr. Bellemare.

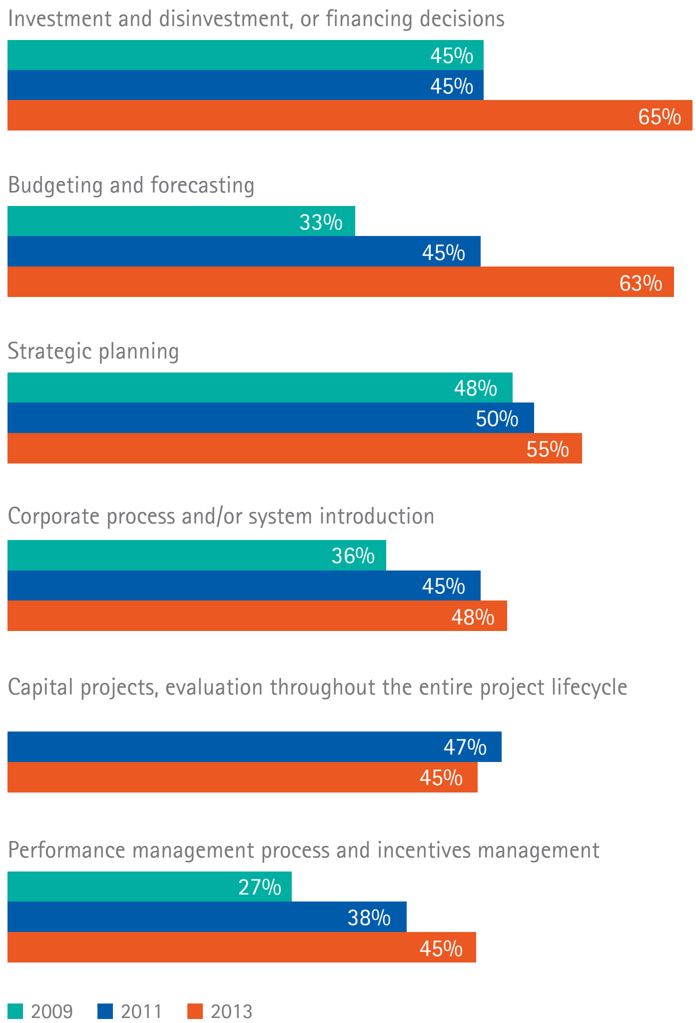
This fact clearly illustrates the evolution of ERM into a concept with almost universal appeal. Public services respondents are projected to have nearly 100% adoption in two years, ahead even of banking. "Two years ago, our auditor general did a study with us on the introduction of ERM into the government," says Phil Grewar, Executive Director of the Risk Management Branch and Government Security Office, Province of British Columbia. His office is now in the phase of getting the information set up, and each ministry has a risk register. "They are required to report into us, and we put together an overall risk register for the government."

An increasingly integrated risk management function

One of the most striking findings of our study is the closer integration of the risk management function with the rest of the organization. Risks are increasingly assessed on an organization-wide basis, and other areas of the organization increasingly call on risk to assist in decision-making. "Risk needs to be managed at all levels of the business—as an absolutely key part of operational processes, product design, distribution, and underwriting," says Simon Gadd, CRO, Legal & General Group. "It's important to set a framework to measure those risks in a consistent way, so you can aggregate them up the organization and understand the level of risk you're taking and how you're managing it."

Figure 14. Integration of the risk management function with decision-making

To what extent is the risk management function currently included in your organization's decision-making process for the following areas? (Proportion saying "to a great extent")



Note: Scale changed from 3-point scale to 4-point scale between 2011 and 2013. Comparing response "to a great extent" over the 2009-11 period (2011-13 only for "capital projects").
Source: Accenture 2013 Global Risk Management Study

"Risk needs to be managed at all levels of the business—as an absolutely key part of operational processes, product design, distribution, and underwriting," says Simon Gadd, Legal & General Group's CRO.

Setting up an organization-wide risk framework does not mean all responsibility for risk is transferred to the risk management function. Rather, integrating the risk function has benefits of improving risk management performance for the rest of the business. "Risk management can be a value-add to the organization in areas such as hedging strategy, and risk evaluation for M&A," says Joseph Celentano, CRO of Pacific Life Insurance Company.

The risk management function is most likely to be integrated with budgeting and forecasting, with 92% reporting a major role. In our 2013 survey, nearly 29% of respondents report the risk management function being completely involved in decision-making in this area. A further 63% say it is involved to a great extent, up from less than half in 2009 (see Figure 14). All Risk Masters show integration with budgeting and forecasting, either completely or to a great extent. Given increasing interaction of the risk management function in discussions with the board, this rising integration into high-level planning processes is unsurprising.

Even though it is much less common today for the CFO to be the risk management owner, the risk and finance functions must have a strong partnership. "Risk management is fully embedded in the budgeting process, because risks are interpreted as a deviation from the plan," says Harald Kirschner of RWE. "In effect, the risk management function is responsible for evaluating how secure the budget is."

The vast majority (87%) of risk management functions in 2013 have a major role in investment decision-making; this includes just under 22% who say they are "fully included." Comparing progress over 2011–13 directly, the share of respondents indicating that risk is involved in decision-making in this area to a great extent rose from less than half to just above 65%. "Risk is obviously involved in investments, and above a certain threshold, group risk control must be involved," explains Mr. Kirschner. Mr. Robinson of BP also reports that the Group risk function must be consulted during the Group's investment and appraisal process.

"Exchanging information at an earlier stage, before business plans are even drafted, is crucial to having input into strategic decisions," says Daniel Imhof, Risk Director at Hoffmann-La Roche.

A large majority (84%) of survey participants this year say that the risk management function is fully (29%) or closely (55%) integrated with strategic planning in decision-making. For Risk Masters, the figure is still higher (88%). "When a company asks 'should I put my dollar here or there,' risk is now a more explicit part of the equation," notes Accenture's Mr. van 't Noordende.

The nature of this integration appears to vary substantially, however. In many organizations, the role of risk in strategy is limited to supporting analysis. "Model results are considered as a factual basis for management discussion," says the Group CRO of a European-based insurer with widespread global operations. "And there is discretion on the pros and cons of business decisions," he adds.

This limited strategic role for the risk management function as primarily an analysis provider may explain our findings that risk management functions are least likely to be integrated in decision-making around new product development (63%) and geographic expansion (60%). These major strategic decisions may not, in the first instance, depend on the kinds of information provided by standard risk models.

Some risk managers feel that providing model-based analytical input into strategic decisions is not enough. "Exchanging information at an earlier stage, before business plans are even drafted, is a crucial input into strategic decisions," argues Mr. Imhof of Hoffmann-La Roche. He observes that risk management input into the strategic decisions of major importance often comes after the strategy has already been formulated.

Moving further down the scale, only 64% report inclusion of the risk management function fully or to a great extent in the performance-management decision area. Integrating risk with operations also appears to be a challenge. "We are working to deepen the direct presence of risk in core functional areas such as claims, underwriting, and distribution," says the CRO of a global insurance player. Philippe Trainar, Group CRO at SCOR, reports the next step is to integrate risk at the operational level, by defining and consistently implementing risk standards relevant to operational processes.

In the final analysis, the goal is to infuse risk management comprehensively into business processes. "We've been putting a big focus on integrating—and pushing down—the risk management process," explains Jonathan Stein, CRO and VP of the Hess Corporation. "So the risk management process really becomes part of the operational process and the fabric of our decision-making."

Section 3

Becoming a high-performance risk organization

Despite their progress, many organizations are striving to build advanced capabilities to cope with an increasingly uncertain risk landscape. In particular, organizations across industries can take further action to integrate risk management within their organization, break down silos that impede progress, and enhance risk's role in strategy.

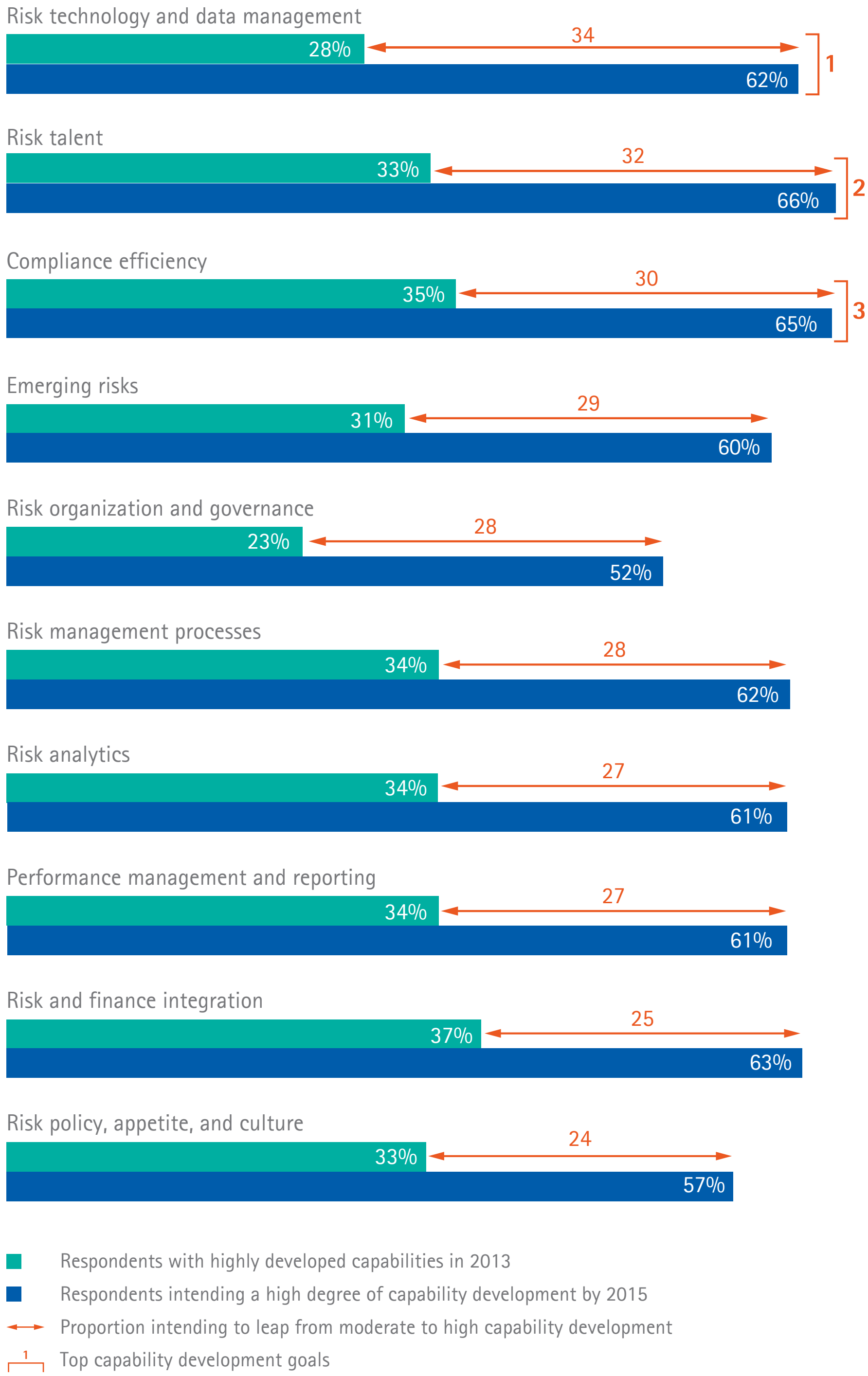
In every area surveyed, the difference between the proportion of organizations that consider themselves highly developed in terms of risk capabilities today and those that wish to be highly developed in 2015 is more than 20 percentage points. In nine out of ten areas probed, it is 25 percentage points or more (see Figure 15).

Unsurprisingly, the most developed areas of risk capability today are risk and finance integration, and compliance efficiency. The least developed area is risk organization and governance, where only 23% consider themselves advanced. But the fact that even in the most well-developed areas only 35%–37% of organizations see themselves at an advanced level of capability underscores the need for continued progress in risk development.

Unsurprisingly, the most developed areas of risk capability today are risk and finance integration, and compliance efficiency.

Figure 15. Top risk capability goals for 2015

Proportion indicating a "two-year target" rating at "4" or "5" on the 5-point capability development scale, less the proportion indicating a "current" rating at this level. ("Please indicate where your risk management function performs on each of the following:")



Note: Numbers have been rounded
Source: Accenture 2013 Global Risk Management Study

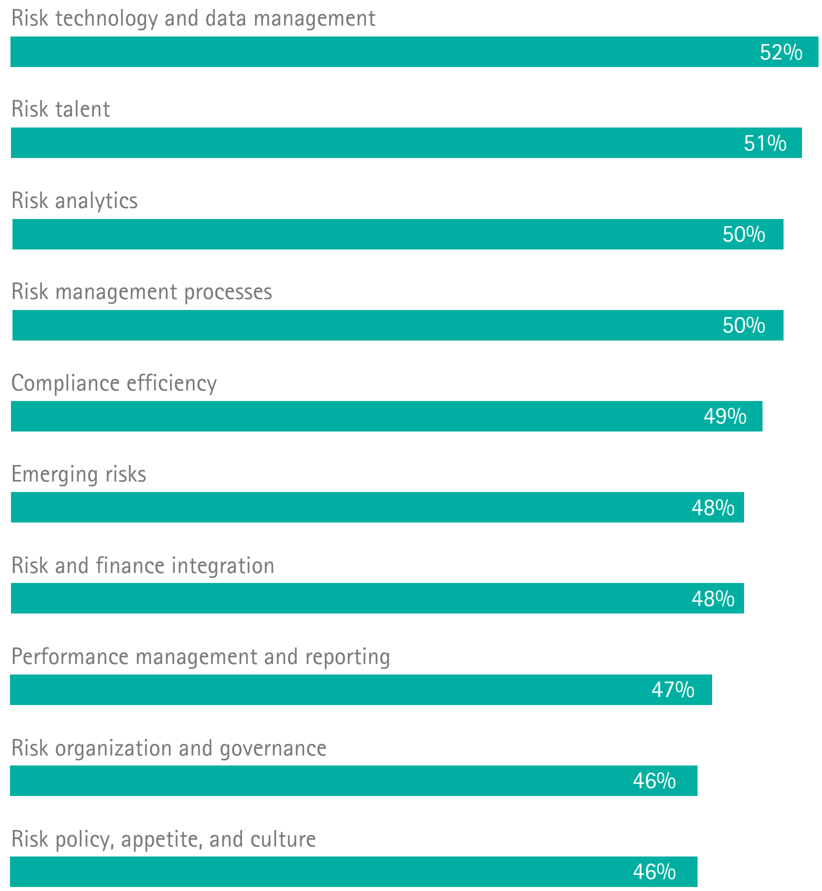
Comparing current capabilities on the risk-mastery scale with desired capabilities for 2015 allows us to identify three key areas of focus: (1) improving an organization's ability to analyze data and create insights, (2) finding and retaining talent, and (3) becoming more efficient in handling compliance and regulatory change.

While the desire to develop risk capabilities is strikingly comprehensive, the priorities of every organization will be different. Those wishing to improve focus in other areas will find further relevant reading on our website at www.accenture.com.[8]

Eighty-nine percent of our survey respondents wish to improve their capabilities in at least one area; for each of the top three goals, roughly 50% of respondents wish to improve their capabilities (see Figure 16). Eighty-three percent wish to improve in at least two areas, and 63% wish to improve in five of the ten areas. This is powerful evidence of the rising importance of risk management today.

Figure 16. Proportion wishing to improve—to any degree—in each area of capability

Proportion whose "two-year target" rating is above their "current" rating for "Please indicate where your risk management function performs on each of the following"



Source: Accenture 2013 Global Risk Management Study

Improving the way risk managers leverage technology and data is an almost universal concern across industries.

Data analytics

Risk managers seeking to improve analytics capabilities must not only use the latest technologies to improve analytics, but take steps to have the right people on the job to embed analytics in management processes, turning data into information and insight.

Building an effective data analytics process doesn't happen overnight. Lack of skilled staff is the top challenge, according to half of respondents. Risk managers also cite difficulty in embedding risk analytics in management processes (44%), outdated legacy systems (44%), and lack of systems integration (42%) as key hurdles (see Figure 17).

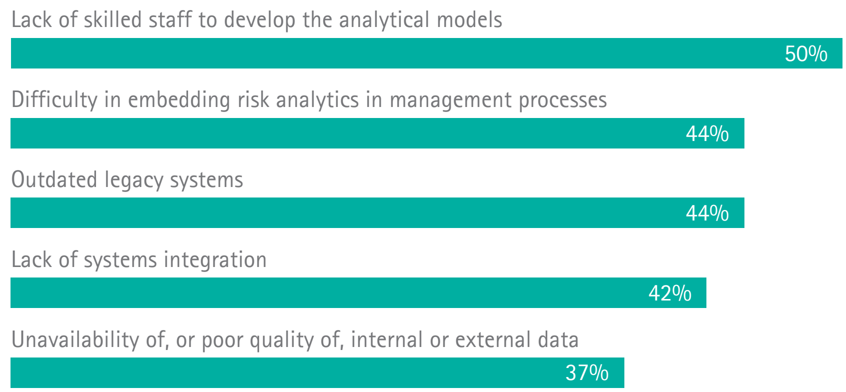
Where risk data are concerned, the natural focus is on systems and technology. "The regulator's expectation is that the regulatory systems and all the bank systems should talk seamlessly to each other," says the head of risk at an India-headquartered financial institution. "To achieve this, there is a project to further automate and organize the data without manual intervention."

But while technology obviously has a critical role to play in analytics, the human element is equally if not more crucial—and is often overlooked. High-performance risk management organizations focus on the people skills needed to make data analytics successful. Risk Masters are significantly less likely to report impediments to risk analytics effectiveness arising from a lack of skilled staff.

While technology obviously has a critical role to play in analytics, the human element is equally if not more crucial—and is often overlooked: 50% of surveyed firms lack skilled staff to develop analytical models.

Figure 17. Obstacles to effective risk analytics

To what extent do each of the following challenges impede the effectiveness of your organization's use of risk analytics? (Proportion saying "to a great extent" or "to some extent")



Source: Accenture 2013 Global Risk Management Study

Training is essential to developing the staff skills necessary for successful analytics. This includes training beyond the risk management function. "People in other units have to know how to collect the right data and put it in the system," says Mr. Koradi of Swiss Post. This challenge is particularly acute among financial services-sector respondents, where risk management increasingly revolves around a model developed specifically by or for a particular financial institution. "We have specific communities of actuaries and risk managers and a global training framework," explains the Group CRO of a European-based insurer with worldwide operations. This includes a specific "onboarding" process for actuaries to ensure they fully understand the models that are being used.

Naturally, data analytics means little if the quality of the data is poor. While weaknesses in data are not one of the most frequently reported obstacles, the impact of poor data can be significant, given that good data is the foundation for other analytics tasks. As Mr. Gadd of Legal & General notes, "there is no point in having a good model if the data going into it are not robust." He adds that good data also makes production of management information simpler, by reducing the manual data cleansing work required.

Risk Masters generally understand this, and get the data element right. Almost 60% of Masters report "no impact" from challenges relating to weaknesses in risk data, compared with only 25% of non-Masters (implying that about 75% still face data-related challenges). Risk Masters have already made much of the leap up the risk technology/data capability curve that other respondent organizations cite as their top goal for 2015.

Risk management talent

High-performance risk management organizations have a people strategy for identifying, attracting, training, and rewarding risk management talent.

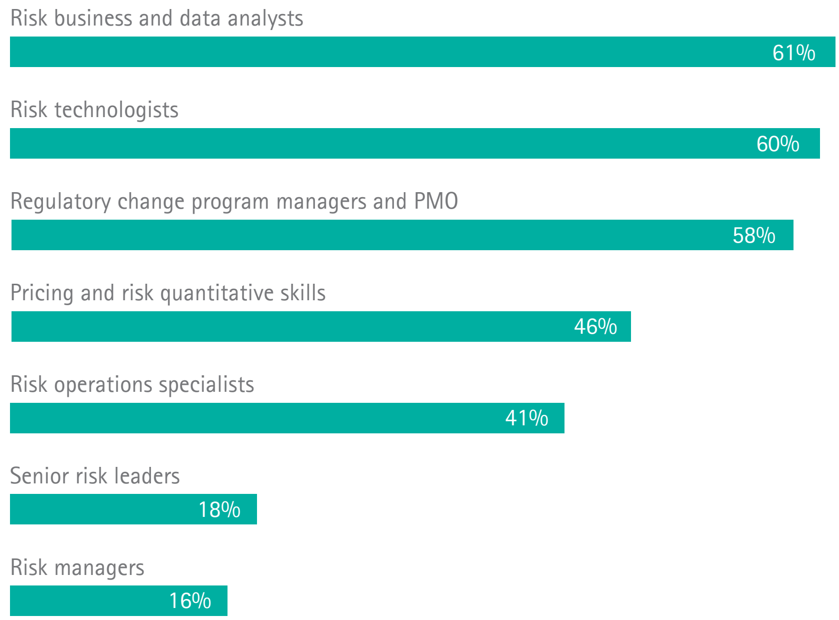
While risk management talent ranks as another top three capability goal for 2015, it can also be fundamental to effective operation of the risk management function. Our analysis shows that risk skills and talent issues are the primary obstacle inhibiting development of data analytics. Survey respondents most frequently report shortages of risk data analysts (61% of respondents) and risk technologists (60%), followed by regulatory change program managers (58%). See Figure 18.

Survey participants report significant obstacles with regard to developing risk management talent. At 54%, the top challenge is the shortage of personnel with appropriate skills. Weak recruitment strategies, a challenge cited by half of all respondents, certainly do not help. The same percentage of respondents say that training programs are insufficient (see Figure 19).

The numbers show that the rising importance of risk management has been both a blessing and a curse. On the one hand, risk management is now an increasingly high-profile career. The downside is that the rising importance of risk has set off a fierce and specific war for talent. "Demand for risk management, regulation management, and compliance specializations has become so intense over the past several years in banking that attracting and retaining talent has become a very important part of our business," says Luis Niño de Rivera, President and CEO at Banco Azteca. The Group CRO of a global insurer based in Europe agrees, adding: "It takes roughly two years to train for the requirements of the Solvency II framework, so there is fierce competition for employees with the right skills profile."

Figure 18. Greatest shortages in risk management talent

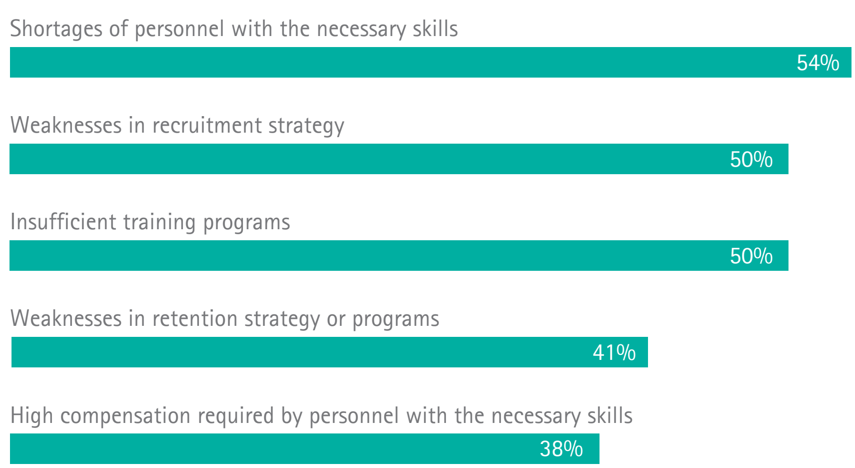
Where do you see the biggest shortage in risk management talent? (Proportion saying "yes" for each risk staffing area)



Source: Accenture 2013 Global Risk Management Study

Figure 19. Obstacles to risk management talent development

To what extent do each of the following challenges impede your organization's ability to keep or obtain the skills needed in the risk management function? (Proportion saying "to a great extent" or "to some extent")



Source: Accenture 2013 Global Risk Management Study

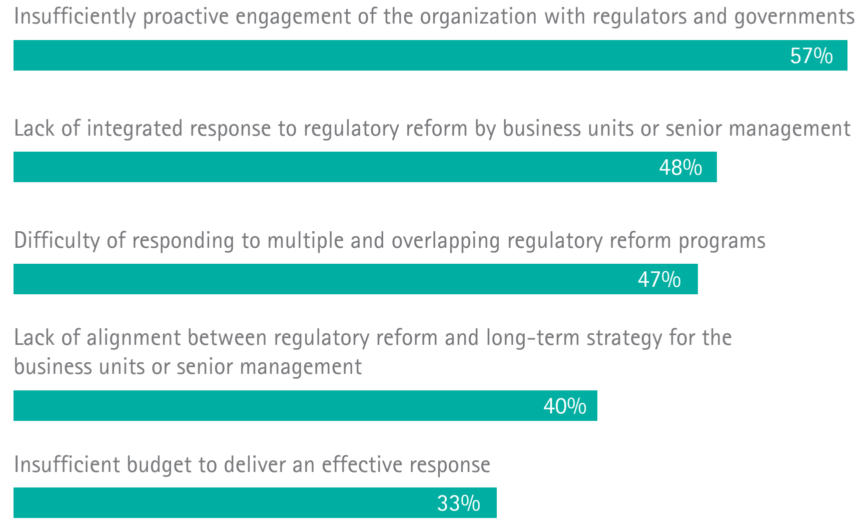
Indeed, as other industries seek to follow the financial services sector in developing risk and compliance capabilities, risk professionals are increasingly hired away from this sector, according to Rodrigo de Barros Nabholz, Risk Management Consulting at Accenture. The war for talent in risk expertise in the banking and insurance industries is therefore spreading to other industries, adds Rodrigo. Organizations that succeed in developing risk staff seem to focus on recruiting and training risk management staff with business expertise. This is important because of the growing integration of the risk management function in business decision-making.

One approach to developing a risk management function with business expertise is to change the staff profile. Mr. Bellemare of Desjardins Group notes that his firm "made some changes in the risk management function to do this—bringing in a lot of people from the business side into risk management." Mr. Imhof of Hoffmann-La Roche describes a similar approach: "In the past, I focused on people who were educated in risk management and then tried to give them business skills," he says. "But these days I approach it the other way around by hiring people, say, from research and development, marketing, or project management—people who really know how the business is run—and then teaching them risk management."

Risk Masters understand that risk is a people game and have focused heavily on risk-talent challenges: Masters are far less likely to report that weaknesses in recruitment strategy impinge on development of risk talent.

Figure 20. Obstacles to achieving compliance efficiency

To what extent do the following challenges impede the effectiveness of your organization's response to regulatory change in your industry? (Proportion saying "to a great extent" or "to some extent")



Source: Accenture 2013 Global Risk Management Study

Other high-performance risk management organizations rely on rotational programs to tackle this challenge. "Having business people in the risk management function for a number of years and then going back into the business is a way to improve the company's risk management DNA," says Mr. Culp of Accenture. "It also means they work better together and do not have an 'us vs. them' type of approach."

Risk Masters appear to understand that risk is a people game and have focused heavily on solving risk management talent challenges, using methods like those described above. Masters are far less likely than non-Masters to report that weaknesses in recruitment strategies impinge on their development of risk management talent. Non-Masters are also far more likely to report a negative effect of insufficient talent in the risk management function generally.

Compliance efficiency and effectiveness

Organizations may want to be proactive and participate in the regulatory agenda, leveraging regulation to drive enhancements in risk capabilities.

The second most frequently reported capability goal for 2015 is to improve the efficiency and effectiveness of regulatory compliance. Risk Masters generally use regulatory requirements to promote an internal risk-development agenda, and compliance management takes the requirements of the overall organization into account. Risk Masters are also proactive in engaging with regulators, and operate integrated programs meeting multiple compliance needs. Approximately 35% of all respondents place themselves at or near this level today. A further 30% seek to reach this level by 2015.

The most frequently reported obstacles in this area are an insufficiently proactive approach to working with regulators, noted by 57% of respondents (see Figure 20), a lack of an integrated response (48%), and the inherent difficulty in responding to overlapping regulatory requirements (47%).

Moving beyond compliance at Credit Suisse

"People think if you have a sophisticated model that produces a number, then that number is correct—correct in a sense of good and meaningful," says Tobias Guldimann, CRO of Credit Suisse. "But many investment banks that had more sophisticated models than we did at the time were hit very hard in 2007."

The existence of models does not imply the end of personal responsibility and judgment. "As the CRO I am acting as the 'risk conscience' of the bank," he notes. "Whenever you have a model that tells you 'you have zero risk' the red light should go on."

That said, in the wake of the global financial crisis, Credit Suisse has moved forward in developing risk tools and capabilities. One area of capability development is the increasing operationalization of the bank's risk appetite statement. While this statement existed before the crisis, matching the bank's risk appetite against its investment activity on a one-to-one basis would have been challenging, given the complexity of the institution.

Turning the risk appetite into an operational tool meant integrating Economic Risk Capital (ERC) limits, Value-at-Risk (VAR) limits, and high-level country limits. "We integrated those into one statement and called it the risk appetite statement," says Mr. Guldimann. "We then expanded it to also cover liquidity, funding, and treasury."

The result of this endeavor is that a meaningful high-level view of risk can be presented to the board—and integrated with strategic planning. This process was developed in a series of stages. The first was to create the risk-appetite statement signed off by the board. The next phase was to create a process such that when the divisions prepared and reviewed their strategic plans, they also had to make explicit risk statements that were then adopted into the Risk Appetite Statement. The final stage was to add a high-level view of market conditions, which would be the basis of the bank's thinking on both risk and strategy, with sign-off at the board level.

Of course, these and other capability enhancements have been expensive at times. "There was a lot of cost involved," notes Mr. Guldimann. But these investments have produced advantages beyond compliance. For instance, the bank's loss-provision numbers have fallen continuously over the past five years. "Now, some people might argue this was luck, but I would say, no," he says. "This is an outcome of a conscious risk decision made several years ago."

Organizations that succeed in taking a proactive approach to regulation often make an effort to increase senior management involvement in compliance and regulation. In the energy and utilities industries, respondents note that top managers often play an ambassador role, meeting directly with regulators. There are signs this approach is spreading to other industries. "You want to have senior management involved because they have the skill set and seniority to get to the right people," notes Mr. Gadd of Legal & General.

Other organizations have established processes and structures that involve senior executives. At a global insurance player, "the Executive Risk Management Committee (ERMC) chaired by the CEO meets on a quarterly basis," says the CRO. The working group reviews a heat map of regulatory developments to identify, analyze, and track regulations, and then assigns responsibility among participants.

Navigating the complex regulatory framework requires support staff with the underlying knowledge of the business and the regulations. "For example, marketing natural gas requires understanding the various regulations that govern that business including whether or not a physical sale is considered a swap under Dodd-Frank," explains Jonathan Stein of Hess. "To have the understanding to connect the dots, you need embedded resources who work inside the business and who understand the business."

Engaging more effectively with regulators can also be achieved by developing the right skill sets within the risk management function. Mr. Imhof notes that "because we have much more interaction now with regulatory bodies, we have to make sure we have the right people down in the organization to deal with this."

Approaches to address the lack of an integrated approach and overlapping regulation are inherently related. Overlapping regulation can be addressed by centralizing compliance management, so areas where compliance requirements overlap can be assessed and managed.

This type of centralization can enable the development of a capability-enhancement strategy that leverages regulatory requirements to transform the risk management function. With such a plan, organizations can help to ensure that capability-development initiatives undertaken in the name of compliance will contribute to enabling the risk management function to assist the organization in meeting its broader strategic goals.

An integrated response can also enable an organization to speak to regulators with one voice. "We created a small team within the risk team to work as an interface with the regulatory authority," says Mr. Bellemare of Desjardins Group. "We want to make sure that when the regulatory authority asks for something, we respond with information at a level of detail consistent with what other areas of the business have provided."

High-performance risk management organizations use compliance management strategically, creating value for the organization. Risk Masters are more likely to report that regulatory reform aligns with long-term strategy, as they view compliance through a transformational lens.

"We created a small team within the risk team to work as an interface with the regulatory authority," says Mr. Bellemare of Desjardins Group.

Section 4

Four things to do differently

Since 2009, successive editions of the Accenture Global Risk Management Study have tracked an increase in the importance of risk management, an expanding organizational role for risk, and a dramatic growth in risk management function capabilities of the average organization. Many organizations have made great progress in developing risk management functions that can play an elevated organizational role effectively. Some have been left behind, however; there is a long tail of survey respondents who have not moved with the rest of the pack in developing their capabilities. Companies that wish to reach their risk capability goals for the long term should consider the following actions.

1. Treat risk management as a people game

Perhaps the most surprising finding of our study is that the main obstacles to both risk analytics deployment and better management of regulatory change relate to skills and human capital. These obstacles include shortages of risk technologists, analysts, regulatory change managers, and risk managers generally. Risk managers report a lack of staff to build analytical models and difficulty embedding risk analytics in management processes. It is therefore unsurprising that risk management talent is one of the top capability development goals for 2015.

In a way, this finding should not be such a surprise. Globally coordinated regulatory change has resulted in simultaneous and intense battles for talent around specific skill sets, and the effect is felt among companies as well as the regulators themselves.

There are many other reasons why risk management is a people game. Senior management is increasingly involved in risk decisions. Risk culture is a broad and somewhat intangible but increasingly important area of capability development. Incentives and rewards are crucial in aligning the interests of executives with the interest of the organization.

It is also increasingly crucial that risk professionals understand the operations of the broader business. Without this understanding, they cannot play enhanced organizational roles—such as protecting corporate brands and reputations—effectively. Nor can they provide the input into decision-making in strategic and other areas that is increasingly expected of the risk management function.

2. Look ahead, as new risks are relentless

Companies can develop a plan for risk capability that is forward-looking and addresses tomorrow's risks. This plan can leverage regulatory requirements to drive a business change agenda.

There is an inevitable tendency to "fight the last war" in risk management. Organizations and regulators are focused on effectively managing liquidity risks and financial shocks partly because the traumatic events of 2007 and 2008 threatened the viability of the global financial system. But the next risk events to emerge may be entirely unrelated to the last. Focusing on the "next war"—the risk capabilities that will be needed five years from now—is a significant challenge. It may require a strategic plan for the risk management function, an integrated approach to risk capabilities, and the direct involvement of senior management.

3. Manage compliance through a transformational lens

The intention of much recent regulation is to improve organizations' risk capabilities, particularly in the financial services sector (for instance, Basel III and Solvency II). The cost of such transformative regulatory initiatives is such that they can overwhelm risk staff, potentially resulting in a focus on minutiae with limited real value in enhancing capabilities.

It is important to take a step back from the process and make sure the requirements of regulators are leveraged to build a risk management function that can better meet organizational goals. "Organizational priorities are established for risk that span multiple years, with annual initiatives developed to support these priorities," says Sarah Williams, VP Risk Analytics & Governance at The Hartford.

And companies should consider how to bring senior executives into the risk development process in an integrated way. If organizations address regulatory compliance in this way, they have the potential to develop far greater risk capabilities. As this is the end goal of many regulators themselves, regulators should be supportive.

4. Focus on insight, not just data and analytics

The aim to improve risk data and technology is the most frequently reported capability goal by survey respondents. It is an issue that impacts all industries to some degree, because data quality is fundamental to the successful operation of a modern risk management function. It is also an acute issue in industries where regulators are demanding more sophisticated risk models, such as insurance and banking. Additionally, developing processes and systems such as the use of data warehouses is inherently time-consuming, so progress may lag other areas. Finally, risk-data quality is a foundational capability on which other capabilities will be based. Prior to implementing a risk model, obstacles such as data quality must be overcome.

The main insight regarding this capability that comes from our research is not to miss the forest for the trees: technology, data, and analytics are only valuable if the insights they produce are actionable. Analytics are most useful when integrated into management processes. To make this possible, insights gleaned from analytics must be presented in a straightforward way, or senior management must be trained in their interpretation. Alternately, management processes can be adapted so sophisticated risk data can be reviewed by subject-matter experts. One such approach is the establishment of board risk committees.

Conclusion

In 2013, the transformation of risk's status in the organization is all but complete. Surveyed organizations have continued to elevate the importance they give to risk management. The risk management owner is almost universally a senior executive and overwhelmingly reports directly to the CEO. The risk management owner is overwhelmingly required to report directly on risk to the board. The risk management function is also playing a significantly larger role in decision-making in areas such as strategy planning and budgeting. A set of "Risk Masters" stands apart from the pack, with enhanced risk management capabilities and performance results to show for it.

At the time of our first risk management study in 2009, in contrast, risk management looked more like crisis management than a forward-looking, enterprise-wide approach to risk.[9] Two years later, in 2011, expectations were rising. There was more pressure on the risk management function to play a much larger role in achieving fundamental organizational aims such as enabling long-term profitable growth and performance management.[10] But our 2011 study found that it was not yet playing this role effectively.

While risk management functions still struggle to meet broader organizational expectations, respondents reported in 2013 that they have improved compliance capabilities dramatically. In other areas, such as managing reputational risk and achieving risk-adjusted performance management, some still grapple with fulfilling their required role.

What will we find when we conduct our next Global Risk Management Study, in 2015? We see organizations today, having invested heavily in risk management, now expecting a return on their investments. We see them endeavoring to turn capabilities into results, by building a risk management staff that understands the broader business, delivering actionable insight from analytics, and taking a proactive approach to compliance. And we expect to find risk management functions playing their newly elevated organizational role with greater confidence—and delivering on these higher expectations.

Acknowledgements

We would like to thank the senior executives with global organizations who took part in our qualitative interview discussions and participated in our survey. We are grateful for the inputs of senior staff at each of these organizations:

- Banco Azteca
- Bharat Petroleum
- BNP Paribas Cardif
- BP
- Caixa Economic Federal
- Central Bank of Brazil
- CNP Assurances
- Crédit Agricole Assurances
- Credit Suisse
- Desjardins Group
- Eletrobras
- Euler Hermes
- Eurofarma
- Generali
- Great-West Life
- The Hartford
- Hess
- Hoffmann-La Roche
- ING Group
- Legal & General
- Liberty Mutual
- Manulife Financial
- Pacific Life
- Pôle Emploi
- Predica
- Province of British Columbia
- Repsol
- RWE AG
- SCOR
- Swiss Post
- Tractebel
- University of California

We would like to thank the following senior leaders from Accenture who provided expert direction on the research, and insight on the issues covered:

- Sander van 't Noordende, Group Chief Executive, Management Consulting at Accenture
- Steve Culp, Managing Director, Accenture Risk Management

Thanks to the following Accenture executives, who also contributed ideas and guidance on this effort:

- Laura Bishop
- Ben Cattaneo
- Amit Gupta
- Margarita Jannasch
- Eric Jeanne
- Luther Klein
- Tales Lopes
- Rodrigo Nabholz
- Isabelle Pelletier
- Samantha Regan
- Haralds Robeznieks
- Greg Ross
- Ferko Spits
- Prasanna Varadan
- Kent Tianshi Xu

References

[1] Accenture, "Global Risk Management Study 2013: Risk management for an era of greater uncertainty." September 2013. Accessed at: http://www.accenture.com/globalriskmanagementresearch2013

[2] Accenture, "Global Risk Management Study 2009: Managing risk for high performance in extraordinary times." 2009. Accessed at: http://www.accenture.com/fr-fr/Documents/PDF/Accenture_Managing_Risk_for_High_Performance_in_Extraordinary_Times.pdf

[3] For Basel III, see http://www.bis.org/bcbs/basel3.htm; for Solvency II see https://eiopa.europa.eu/activities/insurance/solvency-ii/index.html; for Dodd-Frank see http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf; for Sarbanes-Oxley see http://www.gpo.gov/fdsys/pkg/PLAW-107publ204/pdf/PLAW-107publ204.pdf.

[4] Accenture, "Global Risk Management Study 2011: Risk management as a source of competitive advantage and high performance." 2011. Accessed at: http://www.accenture.com/GlobalRiskManagementResearch2011

[5] Accenture, "Global Risk Management Study 2011: Risk management as a source of competitive advantage and high performance." 2011. Accessed at: http://www.accenture.com/GlobalRiskManagementResearch2011

[6] Accenture, "Global Risk Management Study 2009: Managing risk for high performance in extraordinary times." 2009. Accessed at: http://www.accenture.com/fr-fr/Documents/PDF/Accenture_Managing_Risk_for_High_Performance_in_Extraordinary_Times.pdf; and Accenture, 2011. Accenture, "Global Risk Management Study 2011: Risk management as a source of competitive advantage and high performance." 2011. Accessed at: http://www.accenture.com/GlobalRiskManagementResearch2011

[7] Accenture, "Global Risk Management Study 2011: Risk management as a source of competitive advantage and high performance." 2011. Accessed at: http://www.accenture.com/GlobalRiskManagementResearch2011

[8] See http://www.accenture.com/us-en/outlook/Pages/outlook-journal-articles-finance-and-performance-management.aspx

[9] Accenture, "Global Risk Management Study 2009: Managing risk for high performance in extraordinary times." 2009. Accessed at: http://www.accenture.com/fr-fr/Documents/PDF/Accenture_Managing_Risk_for_High_Performance_in_Extraordinary_Times.pdf

[10] Accenture, "Global Risk Management Study 2011: Risk management as a source of competitive advantage and high performance." 2011. Accessed at: http://www.accenture.com/GlobalRiskManagementResearch2011.

About Accenture Management Consulting

Accenture is a leading provider of management consulting services worldwide. Drawing on the extensive experience of its 16,000 management consultants globally, Accenture Management Consulting works with companies and governments to achieve high performance by combining broad and deep industry knowledge with functional capabilities to provide services in Strategy, Analytics, Customer Relationship Management, Finance & Enterprise Performance, Operations, Risk Management, Sustainability, and Talent and Organization.

About Accenture Risk Management

Accenture Risk Management consulting services work with clients to create and implement integrated risk management capabilities designed to gain higher economic returns, improve shareholder value, and increase stakeholder confidence.

For more information on the Accenture 2013 Global Risk Management Study please visit www.accenture.com/globalriskmanagementresearch2013

This document is intended for general informational purposes only and does not take into account the reader's specific circumstances, and may not reflect the most current developments. Accenture disclaims, to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this document and for any acts or omissions made based on such information. Accenture does not provide legal, regulatory, audit, or tax advice. Readers are responsible for obtaining such advice from their own legal counsel or other licensed professionals.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 266,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

13-2538
12459674