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NC STATE Poole College of Management
Enterprise Risk Management Initiative

2022 & 2031

AN INDIA PERSPECTIVE ON TOP RISKS

Key issues being discussed in the boardroom and C-suite | **Executive Summary**

Research Conducted by NC State University's ERM Initiative and Protiviti

Introduction

The range of uncertainties facing business leaders around the globe in 2022 is overwhelming. Challenges triggered by a rare virus creating a global pandemic continue to unfold, combined with numerous other risk issues, such as Ukraine War Crisis, growing social unrest and polarization, ever-present challenges ranging from new technologies and digitization innovations to ever- changing markets, strategies and business models. Staying abreast of emerging risk issues and opportunities is becoming increasingly difficult.

Leaders of organizations in virtually every industry, size of organization and geographic location are reminded all too frequently that they operate in what appears

to most to be an increasingly risky global landscape. Boards of directors and executive management teams cannot afford to manage risks casually on a reactive basis, especially considering the rapid pace of disruptive innovation and technological developments in an ever-advancing digital world and the need for resilience and agility at pivoting when new market opportunities and unexpected threats arise.

Protiviti and North Carolina State University's ERM Initiative are pleased to provide this report focusing on the top risks currently on the minds of global boards of directors and executives. This report contains results from our ninth annual risk survey of directors and executives worldwide to obtain their views on the extent to which a broad collection of risks is likely to affect their organizations over 2022. Same as last year's survey, this year also we asked respondents to consider how these risks will affect their organizations a decade from now (in 2031).

This report provides a brief description of our methodology and an overview of the overall risk concerns for 2022 and 2031. It concludes with a call to action offering a discussion of questions, which executives may want to consider as they look to strengthen their overall risk assessment and management processes.

Our respondent group, comprised primarily of board members and C-suite executives from all major regions of the world, provided their perspectives about the potential impact in 2022, and in 2031, of 36 specific risks across three dimensions:[1]

- **Macroeconomic risks** likely to affect their organization's growth opportunities
- **Strategic risks** the organization faces that may affect the validity of its strategy for pursuing growth opportunities
- **Operational risks** that might affect key operations of the organization in executing its strategy

Of the 36 risks, 1 risk has been added during the current year.

We are pleased that participation from executives was stronger this year. We surveyed 1453 board members and executives across several industries and from around the globe, asking them to assess the impact of 36 unique risks on their organization over the next 12 months and over the next decade, into 2031. We are especially pleased that we received responses from individuals all over the world.

Respondents rated the impact of each risk on their organization using a 10-point scale, where 1 reflects "No Impact at All" and 10 reflects "Extensive Impact."

[1] One new risk was added in the 2022 survey.

For each of the 36 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact. We also grouped risks based on their average score into one of three classifications.

CLASSIFICATION	RISKS WITH AN AVERAGE SCORE OF
Significant Impact	6.0 or higher
Potential Impact	4.5 through 5.99
Less Significant Impact	4.49 or lower

Executive Summary

> "Truth is stranger than fiction, but it is because Fiction is obliged to stick to possibilities; Truth isn't."
> **MARK TWAIN**

The above words by Mark Twain holds so true to the current situations we are facing. Three years ago, who would have thought of two contagious viral diseases afflicting the humankind along with a large-scale war between two large countries in Europe that would continue for more than three months. It would have been considered fiction by all accounts. However, this is the reality we are living in today and trying to adapt to, as we no longer need to assign possibilities to such events.

We do not know yet when we will be able to return to the state of pre-pandemic normalcy, or has it changed things fundamentally, and we can just look forward to a new normal? The survey respondents don't expect normalcy to return, at least in the short term. The top two risks out of three for the 2022 Global and India survey are pandemic related. However, a path to recovery and normalcy is beginning to emerge, and many things are seemingly like what we used to experience before the pandemic. People have been returning to workplaces, kids are going to school, shopping complexes are buzzing with shoppers, and traffic jams have returned to most big cities.

But new threats of the Omicron variant, monkeypox, regional conflicts, rising inflation, government debts, and businesses competing for finite talent resources needed for their post-pandemic strategic transformation are now taking precedence as we move through the year. Moreover, the global challenges continue with potential and existential threats posed by various risk drivers, including – the recovery from the ongoing COVID-19 pandemic, government policies around public health practices, political divisiveness and polarization, social and economic unrest, climate change, artificial intelligence (AI), automation, and other rapidly developing digital technologies.

These also drive a few other notable changes, such as the shifting employee preferences to working remotely / virtually, changes in the geopolitical landscape, and shifting customer preferences and demographics. This is getting further exacerbated by fragile supply chains, cyber-attacks, terrorism, wildfires and hurricanes, volatile unemployment levels, escalating competition for specialized talent and immigration challenges.

All these and many other emerging issues are contributing to the significant uncertainties, making it extremely difficult to anticipate what risks may lie just over the horizon.

The C-suites and boards need to be vigilant in scanning the horizon for emerging issues. As no one can possibly anticipate everything that lies in the future, organizations must focus on building trust-based, resilient cultures led by leaders that can pivot at the speed of change. One of the first questions an organization seeks to answer in risk management is, "What are our most critical risks?" The organization's answer to this question lays the foundation for management to respond with appropriate capabilities for managing these risks. This survey provides insights about top risks for the short term — 2022 — and the long term — 2031 — from 1,453 respondents in C-suite and board positions in organizations around the globe. The top risks on the minds of all executives for 2022 are briefly summarized in the sidebar.

Top Risks Global

TOP RISKS FOR 2022
1. Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business
2. Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets
3. Market conditions imposed by and in response to COVID-19 and emerging variants, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services
4. The adoption of digital technologies (e.g., artificial intelligence, automation in all of its forms, natural language processing, visual recognition software, virtual reality simulations) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees
5. Economic conditions (including inflationary pressures) in markets we currently serve may significantly restrict growth opportunities or impact margins for our organization
6. Anticipated increases in labor costs may affect our opportunity to meet profitability targets
7. Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations
8. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans
9. Our organization may not be sufficiently prepared to manage cyber threats such as ransomware and other attacks that have the potential to significantly disrupt core operations and/or damage our brand
10. Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is motivated and able to manage effectively (e.g., recruiting, retention, career advancement, reward systems, behavioral incentives, shared values and culture), which may significantly impact our ability to attract/retain talent and compete in the marketplace

Top Risks Global

TOP RISKS FOR 2031
1. The adoption of digital technologies (e.g., artificial intelligence, automation in all of its forms, natural language processing, visual recognition software, virtual reality simulations) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees
2. Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets
3. Rapid speed of disruptive innovations enabled by advanced technologies (e.g., artificial intelligence, automation in all of its forms, hyper-scalable platforms, faster data transmission, quantum computing) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model
4. Substitute products and services may arise from competitors that may enhance the customer experience and affect the viability of our current business model and planned strategic initiatives
5. Economic conditions (including inflationary pressures) in markets we currently serve may significantly restrict growth opportunities or impact margins for our organization
6. Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share
7. Regulatory changes and scrutiny may heighten, noticeably affecting the way our processes are designed and our products or services are produced or delivered
8. Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations
9. Changes in the overall work environment including shifts to hybrid work environments, evolving labor markets, expansion of digital labor, changes in the nature of work and who does that work, and M&A activities may lead to challenges to sustaining our organization's culture and the way we do business (New for 2022)
10. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans

Regional Risk Analysis – India vs. Global

As part of the survey for 2022, we received responses from 43 organizations in India, across industry verticals and personnel from varied functions within these organizations.

We analysed these responses, presenting an overall perspective of the magnitude and severity of risks across the three categories, namely Macroeconomic, Operational and Strategic. The scores in the table below reflect responses to the question about the overall impression of the magnitude and severity of risks their organization will be facing with respect to reaching or exceeding profitability (or funding) targets over the next 12 months, using a 10-point scale where 1 = "Extremely Low" and 10 = "Extensive."

	INDIA		GLOBAL	
	2022	2021	2022	2021
Overall, what is your impression of the magnitude and severity of risks your organization will be facing with respect to reaching or exceeding profitability (or funding) targets over the next 12 months? India-based Organizations	6.19	6.0	6.21	6.4
How likely or unlikely is it that your organization will devote additional time and/or resources to risk identification and management over the next 12 months?	6.21	-	6.39	-

The analysis of the response from the India region, in comparison to the global response is interesting.

Strategic risks (market conditions, emerging technologies, customer retention, etc.) dominates the top ten risk listing for India region, while Operational risks (cyber threats, succession challenges, information security, etc.) dominates the top ten listing for Global. Some of the variances and commonality between India and global responses indicate that:

- Unlike 2021 survey, when out of the top 10 risks for India, 6 risk issues have a score of 6 or above, suggesting that organizations expect these risks to have a significant impact on their business, all the top 10 risks are score in a range of 5.3 to 5.72, falling in the range of potential impact..
- This is somewhat aligned to the global scores for the top 10 risks which lie in the range of 5.51 to 5.90. The global scores are also consistent with the last year's scores for top 10 risks when, , our analysis indicated that only 1 risk out of the top 10 has a score of 6 or above and the other 9 risks have an average score of 5.85 and below. Like the 2021 survey "Government policies and pandemic related regulations/protocols" and "Market conditions imposed in response to COVID-19", are the top two risks, as noted by the respondents from India. These two risks have just exchanged their positions in the top 2 risks ranking. Respondents are still concerned

about the market conditions due to COVID-19 that may continue to be impacted by government policies geared to manage the pandemic.

- There has been some change in the ranking of top two risks for the global respondents. For the Global respondents, “Government policies and pandemic related regulation/protocols” remains the top risk in 2022 as well, however “unemployment and government stimulus restricting growth opportunities for the business” has been replaced by the risk “Our organization’s succession challenges and ability to attract and retain top talent” in the second spot.

Top 10 Risks in the India Region - 2022

RISK RANK	RISK	RISK CATEGORY
1.	Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	Macroeconomic
2.	Market conditions imposed by and in response to COVID-19 and emerging variants, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	Strategic
3.	Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is motivated and able to manage effectively (e.g., recruiting, retention, career advancement, reward systems, behavioral incentives, shared values and culture), which may significantly impact our ability to attract/retain talent and compete in the marketplace	Macroeconomic
4.	Ongoing demands on or expectations of a significant portion of our workforce to "work remotely" or increased expectations for a transformed, collaborative hybrid work environment may negatively impact the effectiveness and efficiency of how we operate our business	Operational
5.	Uncertainty surrounding our organization's core supply chain including the viability of key suppliers, scarcity of supplies, volatile shipping and delivery options, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	Operational
6.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Operational
7.	Our organization may not be sufficiently resilient and/or agile to manage an unexpected crisis significantly impacting our reputation	Strategic
8.	Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the ongoing pandemic and emerging social change	Strategic
9.	Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues and market opportunities that have the potential to significantly affect our core operations and achievement of strategic objectives	Operational
10.	Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	Strategic

Top 10 Risks in the India Region - 2031

RISK RANK	RISK	RISK CATEGORY
1.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Operational
2.	Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	Strategic
3.	Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	Operational
4.	Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	Operational
5.	Uncertainty surrounding our organization's core supply chain including the viability of key suppliers, scarcity of supplies, volatile shipping and delivery options, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	Operational
6.	Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	Macroeconomic
7.	Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	Strategic
8.	The adoption of digital technologies (e.g., artificial intelligence, automation in all of its forms, natural language processing, visual recognition software, virtual reality simulations) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees	Macroeconomic
9.	Regulatory changes and scrutiny may heighten, noticeably affecting the way our processes are designed and our products or services are produced or delivered	Strategic
10.	Rapid speed of disruptive innovations enabled by advanced technologies (e.g., artificial intelligence, automation in all of its forms, hyper-scalable platforms, faster data transmission, quantum computing) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	Strategic

Year over Year Comparison of Risks in the India Region

The comparison of risk scores and rankings based on responses received from India respondents showed some interesting results on the risk scores in comparison to the previous year.

Our analysis indicates that all but one out of the common 35 risks (between 2022 and 2021 survey) for India showed a downward trend with a range of .38% to 24.64 %. Only one risk that showed an increase in score at 17.64% was, "Uncertainty surrounding our organization's core supply chain including the viability of key suppliers, scarcity of supplies, volatile shipping and delivery options, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins"

Respondent in India have indicated highest reduction in risk scores by 24.64% and 19.07% for 2 risks respectively, viz., "Evolving changes in global trade policies (e.g., post-Brexit implementations, escalating tariffs, border restrictions and shifts to multilateralism) may affect our ability to operate effectively and efficiently in international markets" and "The adoption of digital technologies in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees" as compared to the last year. Interestingly, both are Macroeconomic risks.

Macroeconomic Risk:

All 11 risks indicate a decrease in the risk scores ranging from 3.64% to 24.64%. Two top risks with the highest decrease in the segment are:

- Evolving changes in global trade policies (e.g., post-Brexit implementations, escalating tariffs, border restrictions and shifts to multilateralism) may affect our ability to operate effectively and efficiently in international markets
- The adoption of digital technologies in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees

This indicates that there is a significant reduction in the magnitude of macroeconomic risks as perceived by the respondents after the initial uncertainty faced by them.

Strategic Risk:

All 13 risks have shown a decrease in the risk scores ranging from .38% to 14.73%. The two risks with the highest decrease in the segment are:

- Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base (14.73%)
- Substitute products and services may arise from competitors (14.49%)

This reflects that the respondents still consider these two as the top risks however magnitude of impact has decreased in their views.

Operational Risk:

All but 1 risk in 12 risks (including 1 new risks, which have been identified in the current year) have indicated decrease in the risk scores ranging from 4.98% to 17.94%. The 2 risks with the highest decrease in this section:

- Inability to utilize data analytics and "big data" (17.94%)
- Ensuring data privacy and compliance with growing identity protection expectations and regulations (16.62%)

One risk that has indicated increase in the score is:

- Uncertainty surrounding our organization's core supply chain including the viability of key suppliers, scarcity of supplies, volatile shipping and delivery options, or stable prices in the supply chain ecosystem

This risk is in the top 2 top operational risks and in the top 5 risks overall. This reflects the respondents concern on the supply chain uncertainties which have increased due to recent geopolitical conditions and pandemic related restrictions.

Refer to the table on the next page for comparison of top risk rankings for the India Region between 2022 and 2031.

Macroeconomic Risk

S NO	RISK	2022	2021	VARIANCE%
1.	Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations and protocols may significantly impact the performance of our business	5.72	6.40	-10.63%
2.	Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion are occurring faster than the pace at which our organization is motivated and able to manage effectively (e.g., recruiting, retention, career advancement, reward systems, behavioral incentives, shared values and culture), which may significantly impact our ability to attract/retain talent and compete in the marketplace	5.67	5.87	-3.41%
3.	Economic conditions (including inflationary pressures) in markets we currently serve may significantly restrict growth opportunities or impact margins for our organization	5.23	5.97	-12.40%
4.	Anticipated increases in labor costs may affect our opportunity to meet profitability targets	5.19	5.58	-6.99%
5.	Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	5.14	5.79	-11.23%
6.	The adoption of digital technologies (e.g., artificial intelligence, automation in all of its forms, natural language processing, visual recognition software, virtual reality simulations) in the marketplace and in our organization may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill our existing employees	5.05	6.24	-19.07%
7.	The current interest rate environment may have a significant effect on the organization's operations	4.98	5.69	-12.48%

8.	Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	4.79	5.75	-16.70%
9.	Geopolitical shifts, regional conflicts and instability in governmental regimes or expansion of global terrorism may restrict the achievement of our global growth and profitability objectives	4.60	5.13	-10.33%
10.	Political uncertainty surrounding the influence and continued tenure of key global leaders may impact national and international markets to the point of significantly limiting our growth opportunities	4.49	5.39	-16.70%
11.	Evolving changes in global trade policies (e.g., post-Brexit implementations, escalating tariffs, border restrictions and shifts to multilateralism) may affect our ability to operate effectively and efficiently in international markets	3.64	4.83	-24.64%

Strategic Risk

S NO	RISK	2022	2021	VARIANCE%
1.	Market conditions imposed by and in response to COVID-19 and emerging variants, including shifts in consumer behavior to digital channels, may continue to impact customer demand for our core products and services	5.72	6.42	-10.90%
2.	Our organization may not be sufficiently resilient and/or agile to manage an unexpected crisis significantly impacting our reputation	5.51	5.77	-4.51%
3.	Our organization may not be able to adapt its business model to embrace the evolving "new normal" imposed on our business by the ongoing pandemic and emerging social change	5.42	5.94	-8.75%
4.	Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share	5.30	5.50	-3.64%
5.	Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	5.24	5.26	-0.38%
6.	Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	5.21	6.11	-14.73%
7.	Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	5.17	5.66	-8.66%
8.	Rapid speed of disruptive innovations enabled by advanced technologies (e.g., artificial intelligence, automation in all of its forms, hyper-scalable platforms, faster data transmission, quantum computing) and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model	5.09	5.94	-14.31%
9.	Regulatory changes and scrutiny may heighten, noticeably affecting the way our processes are designed and our products or services are produced or delivered	5.07	5.60	-9.46%

10.	Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	5.00	5.54	-9.75%
11.	Substitute products and services may arise from competitors that may enhance the customer experience and affect the viability of our current business model and planned strategic initiatives	4.84	5.66	-14.49%
12.	Growing focus on climate change policies, regulations, and expanding disclosure requirements as well as expectations of key stakeholders about climate change, supply chain transparency, reward systems, and other governance and sustainability issues may require us to significantly alter our strategy and business model in ways that may be difficult for us to implement on a timely basis	4.84	5.22	-7.28%
13.	Rapidly expanding social media developments in the marketplace and rapidly developing platform technology innovations may significantly impact how we do business, interact with our customers, ensure regulatory compliance and/or manage our brand	4.07	4.67	-12.85%

Operational Risk

S NO	RISK	2022	2021	VARIANCE%
1.	Ongoing demands on or expectations of a significant portion of our workforce to "work remotely" or increased expectations for a transformed, collaborative hybrid work environment may negatively impact the effectiveness and efficiency of how we operate our business	5.63	6.06	-7.13%
2.	Uncertainty surrounding our organization's core supply chain including the viability of key suppliers, scarcity of supplies, volatile shipping and delivery options, or stable prices in the supply chain ecosystem may make it difficult to deliver our products or services at acceptable margins	5.56	4.72	17.76%
3.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	5.51	6.08	-9.35%
4.	Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues and market opportunities that have the potential to significantly affect our core operations and achievement of strategic objectives	5.30	5.58	-4.98%
5.	Changes in the overall work environment including shifts to hybrid work environments, evolving labor markets, expansion of digital labor, changes in the nature of work and who does that work, and M&A activities may lead to challenges to sustaining our organization's culture and the way we do business (New for 2022)	5.28	NA	NA
6.	Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets	5.23	5.68	-7.88%
7.	Third-party risks arising from our reliance on outsourcing and strategic sourcing arrangements, IT vendor contracts, and other partnerships/joint ventures to achieve operational goals may prevent us from meeting organizational targets or impact our brand image	5.09	5.66	-10.02%
8.	Our existing operations, legacy IT infrastructure, lack of digital expertise in the workforce and insufficient digital savviness in the C-suite and boardroom may result in failure to meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially those that are either "born digital" or investing heavily to leverage technology for competitive advantage	5.00	5.87	-14.82%

9.	Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans	4.91	5.98	-17.94%
10.	Our ability to meet expectations around protecting the health and safety of employees, customers, suppliers and the communities in which we operate may be insufficient to receive market permission to operate or encourage people to work for us or do business with us	4.88	5.58	-12.48%
11.	Our organization may not be sufficiently prepared to manage cyber threats such as ransomware and other attacks that have the potential to significantly disrupt core operations and/or damage our brand	4.81	5.27	-8.65%
12.	Ensuring data privacy and compliance with growing identity protection expectations and regulations may require alterations demanding significant resources to restructure how we collect, store, share and use data to run our business	4.74	5.69	-16.62%

The above tables depict category-wise top risks and a comparison on their YoY scores.

India vs Global Comparison – 2022

For India, “Government policies and pandemic related regulations/protocols”, and “Market conditions imposed in response to COVID-19” are the top two risks, as indicated by the current survey. The survey indicate that the respondents are still concerned with the government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations & protocols that may significantly impact the performance of their businesses and secondly the market conditions (due to impact of COVID-19) that could negatively affect consumer demand for their core products & services during 2022.

This year only the above 2 risks are common in the India and the Global Top 5 risks. The other two common risk in the Top 10 are, “Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion” ranked 3rd by India respondents and 10th by the global respondents, and, ”Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations” which is ranked 6th by India respondents and 7th by the global respondents.

Apart from these three risks, there are no common risks in Top 10 India and Global Ris ks. This reflects the diversity in risk prioritization between India and Global respondents. It is noticeable that for 2022 the Global respondents have chosen 5 Macroeconomic, 3 Operational, and 1 strategic risk in the Top 10 risks compared to 2, 4, and 4 by the India respondents in the respective categories. This reflects that the India respondents are relatively more concerned with the strategic risks in the short term compared to the global respondents, who perceive the Macroeconomic risks to be more concerning.

Macroeconomic Risk:

5 out of the 11 risks Macroeconomic risks ranked in Top 10 by global respondents have higher average score (above 5%) as compared to the India score, unlike last year when 4 out of 11 such risks had higher average score (above 10%) for India compared to global. These top 5 risks are:

- Government policies surrounding public health practices, social distancing, return-to-work, crowd limits, and other pandemic-related regulations (Common with India)
- The adoption of digital technologies
- Economic conditions (including inflationary pressures) in markets
- Anticipated increases in labor costs
- Shifts in perspectives and expectations about social issues and priorities surrounding diversity, equity and inclusion (Common with India)

Strategic Risk:

There is not much difference in the average score of the 4 strategic risks chosen by the India respondents (5.49) in Top 10 risks compared to the global respondents (5.45). This reflects that at the risk perception level, there is not much diversion in India and the global view, however, Global respondents have higher risk perception about the Macroeconomic risks than the Strategic risks.

Operational Risk:

There is hardly any difference in the average score of the 4 Operational risks chosen by the India respondents (5.50) in Top 10 risks compared to the global respondents (5.49). This reflects that at the Operational risk perception level, there is not much diversion in India and the global view, however, Global respondents have higher risk perception about the Macroeconomic risks than the Operational Risks.

India vs Global Comparison – 2031

For India, “inability to make necessary adjustment on account of resistance to change the culture” and

“Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment”, are the top 2 risks, as noted by the respondents. The same have been ranked as 8th and 6th respectively by the global respondents.

Further, like 2022 rankings, the India respondents have chosen 2 Macroeconomic, 4 Strategic and 4 Operational risks in Top 10 risks for 2031. Unlike the global ranking of Top 10 risks in 2022 by the global respondents, it is consistent with India ranking with 2,4, and 4 risks in respective categories of the Top 10 risks chosen for 2031. However, the similarity ends here because there are no Macroeconomic risks in Top 5 risks chosen by India respondents, while there are 2 Macroeconomic risks in Top 5 risks for 2031, in the Global rankings, and one of them is a Topmost risk as per the global respondents.

There are only 4 common risks as per the India respondents and the Global Respondents in the Top 10 risks for 2031:

- Resistance to change in our culture
- Our organization’s succession challenges and ability to attract and retain top talent in a tightening talent market
- The adoption of digital technologies
- Rapid speed of disruptive innovations enabled by advanced technologies

Another noticeable difference in India and Global rankings is the average score of Top 10 risks in 2031. The average score of India Top 10 Risks is 4.93 while that is 5.68 for the global respondents. This a difference of 15.21 % and is a significant difference. This reflects that the Global respondents are more certain of the Top 10 risks after 10 years than their India counterparts.

A Call to Action – Questions to Consider

This report provides insights from 1,453 board members and executives about risks that are likely to affect their organizations over the next 12 months (and also looking ahead to 2031). Our respondents from India rate the overall business environment as riskier in 2022 vis-à-vis 2021, while global respondents have rated it as lower than the last year. However, while rating the individual risks all except 1 risk, have been scored significantly lower in 2022 than in 2021.

This suggests that the executives and board members are cautious about the unknown risks that might emerge in the future while there is some certainty and confidence around the known risks. This may due the fast-changing geopolitical concerns, and vulnerability to Covid-19 like risks, which were not expected by the businesses.

The ongoing events of 2021 and the beginning of 2022 continue to present major challenges as we move deeper into 2022. The level of uncertainty in today's marketplace is rapidly evolving and presenting new risks that many previously thought were unimaginable. The ever-changing risk landscape and the overall perceived magnitude and severity of risks should prompt boards and senior executives to closely scrutinize the approaches they use to keep an eye on emerging risks.

Unfortunately, some organizations continue to manage risks the way they have for many years, even though the profile of risks is evolving as business transforms in the digital economy. Their risk profile is most certainly not yesterday's risks, and a focus on financial and compliance risks using static analog-age tools without any conception of the organization's risk appetite leaves decision- makers across the company to their own devices. Soon those organizations may realize, once it's too late, that the level of investment in risk management and their willingness to engage in robust tools are inadequate.

Hopefully the experiences of navigating the complexities of the ongoing pandemic, social unrest and the extreme polarization of viewpoints revealed by the recent events have highlighted for executives and boards weak points in their organizations' approach to risk management. At the same time, many organizations have benefitted from the "all-hands-on-deck" approach to how their leadership teams have come together to quickly assess emerging situations and respond to risks never seen before. Ongoing communications and transparent discussions about risks on the horizon are attributes worth preserving once the firestorm caused by the pandemic subsides. As business leaders think about issues they have had to confront in recent months, they may benefit from an honest assessment of their risk management infrastructure and its intersection with strategic planning and value creation.

Given the disruptive environment, now may be an opportune time for boards and C-suites to closely examine how their organization approaches risk management and oversight in the digital age to pinpoint aspects demanding significant improvement. Managing today's risks using outdated techniques and tools may leave the organization exposed to significant, undesirable and potentially disruptive risk events that could obviate its strategy and business model and threaten its brand and reputation — even its very survival.

Accordingly, in the interest of evaluating and improving the risk assessment process in light of the findings in this report, we offer executives and directors the following diagnostic pointers to consider when evaluating their organization's risk assessment and risk management process.

Ensure our risk management approach is sufficiently robust

Because risks are constantly changing, the risk management process needs to be repeatable, clearly defined and adequately resourced to ensure business leaders are staying abreast of emerging issues:

- What insights have the ongoing pandemic and other recent risk issues revealed about limitations in our organization's approach to risk management?
  - To what extent were the risks of a pandemic or a large scale war on our risk radar prior to the period of 2020-22? If so, how did having it in our risk register help us prepare for what we have faced?
  - How prepared was our organization to deal with the challenges we have experienced?
  - How effective was our organization's business continuity plan in addressing the enterprise-wide impact of COVID-19?
  - What holes in the plan have been revealed thus far?
  - Did our employees have all the technology and tools they needed? Did urgent efforts to adopt new tools and technologies and transition to a virtual workplace achieve acceptable productivity and returns? Did those efforts create information security issues?
  - Was our culture resilient enough to pivot in response to the pandemic's effects on our customers, employees, third-party relationships and supply chain?
  - What do we now understand that we wish we had known prior to the pandemic? Why didn't we better anticipate those issues?
- Is the process supported by an effective, robust methodology that is definable, repeatable and understood by key stakeholders?
  - To what extent is our risk management process mostly focused on internal, operational types of risks using a bottom- up approach to risk identification?
  - How well does our approach to risk identification foster consideration of risks that may have a higher-level strategic impact and that may be triggered by external events or competitor moves that are beyond our organization's control?
  - Would most stakeholders describe our approach to risk management as one that is siloed across disparate functions in the organization and/or one that is more ad hoc than structured?
  - Does the process delineate the critical enterprise risks from the day-to-day risks of managing the business so as to focus the dialogue in the C-suite and boardroom on the risks that matter most?
  - Do we engage all the right stakeholders in the risk identification process?
  - How frequently do we refresh our risk inventory? Do we use a formal or an informal risk assessment process? Is it often enough?
  - How extensively do we evaluate the effectiveness of responses that are intended to help prevent risk events from occurring and that might reduce the impact of the risk events should they occur?
- Is there a process for identifying emerging risks? Does the risk identification process allow the board and management enough time to adequately consider response plans to these risks?
- To what extent does our management dashboard system include robust key risk indicators that help the leadership team monitor shifts in risk trends?

Evaluate whether our risk focus is sufficiently comprehensive

Given the pace of change experienced in the industry and the relative riskiness and nature of the organization's operations:

- To what extent are we centering our focus on risks in the context of our organization executing its strategy, achieving its business objectives, sustaining its operations, and preserving its brand image and reputation?
- What have we learned from our management of risks triggered by the pandemic about the importance of focusing our attention on risks that are most critical to our core business operations and strategic initiatives?
  - The pandemic has helped many to focus on risks that threaten the organization's ability to deliver core products and services. How is that focus

different from the focus of our risk management activities prior to the emergence of COVID-19?

  - What kinds of risk management activities are we addressing during the pandemic that we were not engaged in previously?
  - In response to risks triggered by the pandemic, what changes have we made to our business model that should be preserved for the long term?
  - What risks has our organization been forced to take in light of the pandemic that now represent risk opportunities we should leverage for greater value going forward?

- To what extent is the knowledge of top risks identified by the organization's risk management process serving as a critical input to the strategic planning process?
- Does our risk management process consider a sufficient time horizon to pick up strategic risks and emerging risks looming on the horizon ("gray rhinos"), e.g., the longer the horizon, the more likely new risk issues will present themselves?
- To what extent is our focus on external risks linked to geopolitical shifts, emerging disruptive innovations and changes in macroeconomic factors?
- In our ongoing assessment of risk, do we consider the effects of changes in internal operations, personnel, processes, technologies, suppliers and third-party vendors?
- Does our risk management process consider extreme as well as plausible scenarios? Do we have meaningful discussions of "black swan" and "gray rhino" events?
- Are we encouraging the identification of opportunities to take on more risk on a managed basis? For example, is risk management integrated with strategy-setting to help leaders make the best bets from a risk/ reward standpoint that have the greatest potential for creating enterprise value?
- Do the board and senior management receive risk- informed insights, competitive intelligence and opportunities to secure early-mover positioning in the marketplace, fostering more effective dialogue in decision-making processes and improved anticipation of future exposures and vulnerabilities?

Clarify accountabilities for managing risks

Following completion of a formal or informal risk assessment:

- Who is involved in risk management activities as we navigate the ongoing environment but was not involved prior to COVID-19? To what extent should those individuals continue to participate over the long term?
- What groups (committees, councils, task forces) of individuals have been regularly involved in helping the leadership team navigate the multitude of risks triggered by the pandemic, social unrest, political dysfunction and other events of the prior year? To what extent do those groups need to be formalized so that they continue to provide risk management leadership and inform decision-making for the future?
- Are risk owners assigned for newly identified risks?
- Are effective risk response action plans developed to address the risk at the source? Are risk owners accountable for the design and execution of those responses?
- What are the biggest gaps in risk response that have been revealed by the recent large events ? How does the presence of those gaps reveal limitations in the organization's risk management processes? Who should be accountable for reducing those gaps?
- To what extent does the organization need to elevate its oversight and governance of its continuity planning and operational resilience activities? To what extent are these efforts limited to certain aspects of the organization (i.e., information technology, supply chain operations) and not enterprise-wide?
- Is there an effort to source the root causes of certain risks that warrant a better understanding? Does the process look for patterns that connect potential interrelated risk events?
- Are we monitoring the business environment over time for evidence of changes that may invalidate one or more critical assumptions underlying the organization's strategy? If so, when there is evidence that one or more critical assumptions underlying the strategy are becoming, or have become, invalid, does management act in a timely fashion on that knowledge to revisit the strategy and undertake necessary mid-course adjustments?

- Do decision-making processes consider the impact of a decision on the organization's risk profile?
  - Have we sufficiently communicated the relative value and importance of considering risk in decision-making across the enterprise?
  - Is the board sufficiently involved in the decision-making process, particularly when it involves acquisition of new businesses, entry into new markets, the introduction of innovative technologies, or alteration of key assumptions underlying the strategy?
  - Is there actionable, current risk information that is widely shared to enable more informed decision-making?
- Are significant risks related to the execution of the strategy and business model monitored over time to consider whether changes have occurred requiring corrective action and whether the organization continues to operate within established risk tolerances in meeting key business objectives?

Communicate an enterprise view of top risks and board risk oversight

With respect to communicating and overseeing the risk profile:

- Is the board informed of the results of management's risk assessment on a timely basis? Do directors agree with management's determination of the significant risks?
- Are significant risk issues warranting attention by executive management and the board escalated to their attention on a timely basis? Does management apprise the board in a timely manner of significant emerging risks or significant changes in the organization's risk profile?
- With respect to the most critical risks facing the organization, do directors understand at a high level the organization's response to these risks? Is there an enterprise-wide process in place that directors can point to that answers these questions and is that process informing the board's risk oversight effectively?
- Is there a periodic board-level dialogue regarding management's appetite for risk and whether the organization's risk profile is consistent with that risk appetite? Is the board satisfied that the strategy-setting process appropriately considers a substantive assessment of the risks the enterprise is taking on as strategic alternatives are considered and the selected strategy is implemented?
- Given the organization's risk profile, does the board periodically consider whether it has access to the diverse expertise and experience needed — either on the board itself or through access to external advisers
  - to provide the necessary oversight and advice to management?

Assess impact of leadership and culture on our risk management process

- Because culture and leadership significantly impact the organization's approach to risk oversight:
- Is the board's and the C-suite's support for more robust risk management processes evident to key stakeholders across the organization?
  - To what extent is our risk management process helping to foster robust discussion dialogue about top risk issues among senior management and the board?
  - Is the board asking for more risk management information or is the board relatively uninterested in advancing the organization's risk management processes?
- How have lines of communication about risk issues improved as the organization deals with the pandemic situation? What has led to that improvement and how can the benefits be preserved for the long haul?
- To what extent is there a willingness among the leadership team to be more transparent about existing risk issues when sharing information with one another? What positive aspects of the organization's culture have contributed to this improvement? What aspects continue to limit openness and transparency about risks?
- Do we have an accurate read on how our organization's culture is affecting how employees engage in risk management processes and conversations? If so, how do we know?

- Are warning signs posted by the risk management function, compliance and ethics function, or internal audit addressed in a timely fashion by executive and operational management?
- Do we have a "speak up" culture that encourages transparency and sharing of contrarian information and bad news? Are our employees convinced they can "speak up" without fear of repercussions to their careers or compensation? For example, does the process:
  - Encourage an open, positive dialogue for identifying and evaluating opportunities and risks?
  - Focus on reducing the risk of undue bias and groupthink?
  - Give adequate attention to differences in viewpoints that may exist across different executives and different global jurisdictions?
- Is adequate attention given to red flags indicating warning signs of a dysfunctional culture that suppresses escalation of important risk information or encourages unacceptable risk taking?

These and other questions can assist organizations in defining their specific risks and assessing the adequacy of the processes informing their risk management and board risk oversight. We hope the important insights about the perceived risks on the horizon for 2022 and 2031 provided in this report prove useful. We also hope that the insights serve as a catalyst for an updated assessment of risks and the risk management capabilities in place within all organizations, as well as improvement in their risk assessment processes and risk management capabilities.

In the current environment, in which businesses of all sizes and types are being tested in unprecedented ways by the coronavirus (COVID-19) pandemic, a large-scale war, inflationary pressures, increasing interest rates, supply chain disruptions, etc., business continuity and resilience has become a critical discussion in boardrooms and C-suites around the world. The pandemic's widespread impact has forced organizations to revisit operational resilience and how to embed resilience practices in day-to-day operations. Operational resilience has taken on new urgency, as the expectations of business leaders to lead resilience efforts, not by assumptions, but with meaningful and substantiated data, intensifies.

As we consider the changing landscape brought on by the pandemic, it is important to remember that other business risks continue to threaten business continuity. Natural and man-made disasters, as well as technology risks, abound. How can organizations stay prepared for these events? How can they develop an operational resilience program that responds to all crisis types and scenarios? To find out answers to these get in touch with us at Protiviti.

Demographics

Following information offers a detailed demographic picture of responses received in ME region based on various parameters -

Industry

INDUSTRY	INDIA
Financial Services	14%
Consumer Products and Services	21%
Technology, Media, Telecommunications	9%
Manufacturing and Distribution	28%
Energy and Utilities	14%
Healthcare	0%
Other	14%

Revenue

REVENUE	INDIA
Less than $100 million	51%
$100 million - $999.99 million	30%
$1 billion - $9.99 billion	12%
$10 billion or more	7%

Headcount

HEADCOUNT	INDIA
Fewer than 1000	56%
1000 – 4999	21%
5000 – 49999	19%
More than 50000	5%

Organization Type

ORGANIZATION TYPE	INDIA
Privately held	53%
Publicly held	44%
Government/Not-for-Profit	2%

Executive Position

EXECUTIVE POSITION	INDIA
Board Member	16%
Chief Audit Executive	21%
Chief Executive Officer	23%
Chief Risk Officer	5%
Chief Financial Officer	0%
Chief Digital Officer/Chief Data Officer	2%
Chief Information Officer/Chief Technology Officer	23%
Chief Strategy Officer/Chief Innovation Officer	7%
Other	2%

About Protiviti

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About NC State University's ERM Initiative

The Enterprise Risk Management (ERM) Initiative in the Poole College of Management at NC State University provides thought leadership about ERM practises and their integration with strategy and corporate governance. Faculty in the ERM Initiative frequently work with boards of directors and senior management teams helping them link ERM to strategy and governance, host executive workshops and educational training sessions, and issue research and thought papers on practical approaches to implementing more effective risk oversight techniques (www.erm.ncsu.edu).

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