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NC STATE Poole College of Management
Enterprise Risk Management Initiative

2022 & 2031

A MIDDLE EAST 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

Executive Perspectives on Top Risks 2022

Major themes for 2022 and 2031 – A Middle East Perspective

- The scope of global top risk is more expansive.
- Enhanced and collaborative need for risk culture to pivot at the speed of risk.
- A disruptive and volatile decade lies ahead.
- Adaptability and agility are at the forefront.
  - Resilient business model to adapt to changing customer requirements, competitive landscape, technological changes, and the regulatory terrain.
  - Resistance to change is both a near-term and long-term concern.
  - Long overdue shifts in expectations related to diversity, equity and inclusion.
- Economic and geopolitical uncertainty remains significant, and its short and long-term impact has increased.
- Utilization of digital technologies and big data for reliable, accurate and predictive market intelligence.

TOP RISKS FOR 2022
1. Sub-optimal organizational risk culture leading to non-timely identification and escalation of risk issues
2. Inadequate resilience and agility to manage an unexpected crisis impacting reputation
3. Shifts in expectations about social issues and diversity, equity and inclusion (DEI) outpace organization response
4. Resistance to change operations and business model
5. Limited opportunities for organic growth
6. Pandemic-related government policies and regulation impact business performance
7. Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency
8. Non-adaptability of business model to embrace "new normal" brought on by ongoing pandemic and emerging social change
9. Volatility in global financial markets and currency exchange rates
10. Adoption of digital technologies requiring new skills or significant efforts to upskill or reskill existing employees

TOP RISKS FOR 2031
1. Adoption of digital technologies requiring new skills or significant efforts to upskill or reskill existing employees
2. Resistance to change operations and business model
3. Rapid speed of disruptive innovation outpaces our ability to compete
4. Economic conditions, including inflationary pressures, constrain growth opportunities
5. Pandemic-related government policies and regulation impact business performance
6. Succession challenges, ability to attract and retain top talent
7. Sub-optimal organizational risk culture leading to non-timely identification and escalation of risk issues
8. Entrance of new competitors and other industry changes threaten market share
9. Shifts in expectations about social issues and diversity, equity and inclusion (DEI) outpace organization response
10. Volatility in global financial markets and currency exchange rates

Introduction

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

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 tenth annual risk survey of directors and executives worldwide, including the Middle East, to obtain their views on the extent to which a broad collection of risks is likely to affect their organizations over the next year – 2022. In addition to insights about near-term risks in 2022, we also 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 executives may want to consider as they look to strengthen their overall risk assessment and management processes.

Our survey was conducted online near the end of 2021 to capture risk perspectives on the minds of executives as they peered into 2022. The respondent group comprised primarily of board members and C-suite executives from all major regions of the world. They provided their perspectives about the potential impact in 2022 and also in 2031 of 36 specific risks across three dimensions:

- **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

In presenting the results of our research, we begin with a brief description of our methodology and an executive summary of the results. Following that overview, we discuss the overall risk concerns for 2022, including how they have changed from the 2021 survey. We also provide a discussion of the top risk concerns for 2031 and the corresponding changes from our survey last year about 2030 top risk concerns. Next, we review the results by size of organization and type of executive position, as well as a breakdown by industry, geographic location and type of organization structure. Finally, we conclude with commentary on plans among organizations to improve their capabilities for managing risk and call to action, offering executives and directors diagnostic questions to consider when evaluating risk assessment and risk management process.

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

Methodology

We are pleased that participation from executives was very strong this year. We surveyed 1,453 board members and executives across several industries and around the globe, asking them to assess the impact of 36 unique risks on their organization over the next 12 months and the next decade into 2031. We are especially pleased that we received responses from individuals worldwide, with 422 respondents (39%) based in North America and 659 respondents (61%) based outside this region.

Our survey was conducted online near the end of 2021 to capture risk perspectives on the minds of executives as they peered into 2022.

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.” 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

Respondents to the survey serve in a number of different board and executive positions which are as follows:

EXECUTIVE POSITION	NUMBER OF RESPONDENTS
Board of Directors (BOD)	241
Chief Executive Officer (CEO)	267
Chief Financial Officer (CFO)	135
Chief Risk Officer (CRO)	180
Chief Audit Executive (CAE)	149
Chief Information/Technology Officer (CIO/CTO)	201
Chief Strategy/Innovation Officer (CSO)	59
Chief Data/Digital Officer (CDO)	57
All Other	164
Total number of respondents	**1,453**

Executive Summary

We start 2022 in a very different position than 2021. Although not out of the woods from the pandemic yet, a path to recovery and normalcy is beginning to emerge. New threats of the Omicron variant, monkeypox, regional conflicts, rising inflation, government debt, and businesses competing for finite talent resources needed for their post-pandemic strategic transformation are now taking precedence as we start the new year.

The global challenges continue with potential and existential threats posed by various risk drivers, including the recovery from the ongoing COVID-19 pandemic, 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 instils fragile supply chains, cyber-attacks, terrorism, wildfires and hurricanes, volatile unemployment levels, escalating competition for specialized talent and immigration challenges.

These and a host of other notable risk drivers all contribute to significant uncertainties, making it extremely difficult to anticipate what risks may lie just over the horizon. Unanticipated events are unfolding at a record pace, leading to massive challenges in identifying the best next steps for organizations of all types and sizes, regardless of where they reside in the world. No one is immune to the significant levels of uncertainty. 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 FOR 2022

1. Pandemic-related government policies and regulation impact business performance
2. Succession challenges, ability to attract and retain top talent
3. Pandemic-related market conditions reduce customer demand
4. Adoption of digital technologies requires new skills or significant efforts to upskill/reskill existing employees
5. Economic conditions, including inflationary pressures, constrain growth opportunities
6. Increasing labour costs impact profitability targets
7. Resistance to change operations and the business model
8. Inability to utilise data analytics and "big data" to achieve market intelligence and increase productivity and efficiency
9. Cyber threats
10. Shifts in expectations about social issues and diversity, equity and inclusion (DEI) outpace organisation's response

Regional Risk Analysis – Middle East vs. Global

As part of the survey for 2022, we received responses from 54 organizations in the Middle East across industry verticals and personnel from different functions within these organizations.

We analyzed responses about overall impressions of the magnitude and severity of risks across the three categories: Macroeconomic, Operational and Strategic. Again, the scores in the table below reflect responses to the question about their 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."

	MIDDLE EAST		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?	5.8	6.1	6.2	6.4

The results of the responses from the Middle East (ME) region for this year, in comparison to the global responses, are noteworthy.

- In the year 2022, the primary risk focus for the global responses pertains to macro-economic and operational risks, whilst in the Middle East, there is near equal distribution of risk focus between the macro-economic risks, operational and strategic risks. To put into perspective, the top five (5) risks in the ME focus on operational and strategic risks, whilst the global risks are focused more on the macro-economic environment.
- Whilst globally, the risk management culture and infrastructure seem agile to manage and mitigate risks, the ME respondents have emphasized risks around them this year as of primary importance.

Respondents recognize that foundational elements for Enterprise Risk Management are not agile and resilient enough to identify, mitigate and manage risks in a timely manner. The resistance to change in culture is restricting the organization from making necessary adjustments to the business model and core operations, thereby impacting the overall growth. Considering the global shifting perspectives and importance around diversity, equity and inclusion, organizations perceive succession challenges, ability to attract and retain top talent may limit their ability to achieve operational targets. Respondents have also expressed concerns about volatility in the financial markets and currency exchange rates that could limit them to organically grow through acquisitions. Lastly, organizations recognize that the non-utilization of data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect the management of core operations and achievement of strategic plans.

Top 10 Risks in the Middle East Region - 2022

RISK RANK	RISK	RISK CATEGORY
1.	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
2.	Our organization may not be sufficiently resilient and/or agile to manage an unexpected crisis significantly impacting our reputation	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.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Operational
5.	Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	Strategic
6.	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
7.	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	Operational
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.	Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	Macroeconomic
10.	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

Top 10 Risks in the Middle East Region - 2031

RISK RANK	RISK	RISK CATEGORY
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	Macroeconomic
2.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	Operational
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	Strategic
4.	Economic conditions (including inflationary pressures) in markets we currently serve may significantly restrict growth opportunities or impact margins for our organization	Macroeconomic
5.	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
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	Operational
7.	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
8.	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
9.	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
10.	Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	Macroeconomic

Year over Year Comparison of Risks in the Middle East Region

The Middle East risk rankings comparison across the years 2022 and 2021 provides interesting insights. In comparison to the year 2021, for the year 2022, the global responses still indicate that the Government imposed restrictions for the containment of COVID 19 as the number one risk, whilst in the ME, government-related policies or restrictions have moved down the order to the sixth position.

Interestingly, the risks that are on top of the radar for organizations for the year 2022 are the risk that was considered to be less impactful in the year 2021. This showcases how the macro-economic situations have radically changed the mindset for the need for a robust risk management process within the organizations in the ME. The survey results indicate that change in culture, agility, resiliency, managing social issues such as diversity, equity and inclusions and adoption of digital solutions is the need of the hour to roll over the tide caused by the pandemic.

At the onset of the pandemic, changes in economic conditions could have significantly restricted the growth opportunities or margins; however, considering that economies and oil prices are steadily on the rise, it is no surprise that inflation-related pressures that was ranked number two in 2021 have now dropped to twenty-third most important risk for organizations. Respondents also believe that growth opportunities through acquisitions, JVs etc. could be harder to come by due to the significant strain on Company's liquidity the pandemic has brought in.

As the region is slowly and steadily moving in a direction where women are supported and empowered to work, shifting perspectives and expectations around diversity, equity and inclusion is moving at a pace faster than which the organizations are able to manage and this may significantly impact the ability of the organization to attract / retain competent and skilled talent. From an impact on the business point of view, in year 2021, this was 23rd most impactful parameter whilst in the year 2022, this has become the 3rd most impactful parameter.

With governments within the region introducing several measures to promote development of industries, Small Medium Enterprises (SME) and increasing importance on being self-reliant / sufficient, the respondents did not perceive that their growth opportunities is restricted due to the inability to access capital / funding.

From a regulatory viewpoint, in the year 2021, changes to the regulatory environment featured in the top 10 risks for the organization, however for the year 2022, the respondents expect a fairly stable regulatory environment that may not effect their processes or the products that are delivered and has moved to the bottom 10 most impactful risks.

Refer to the table on the next page for comparison of top risk rankings for the Middle East Region between 2022 and 2021.

Strategic Risk

S NO	RISK	2022	2021	VARIANCE%
1.	Our organization may not be sufficiently resilient and/or agile to manage an unexpected crisis significantly impacting our reputation	5.75	5.44	6%
2.	Opportunities for organic growth through customer acquisition and/or enhancement may be significantly limited for our organization	5.67	5.44	4%
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	5.45	5.82	-6%
4.	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	5.30	5.45	-3%
5.	Growth opportunities through acquisitions, joint ventures and other partnership activities may be difficult to identify and implement	5.29	5.82	-9%
6.	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	5.23	5.73	-9%
7.	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	5.19	5.58	-7%
8.	Regulatory changes and scrutiny may heighten, noticeably affecting the way our processes are designed and our products or services are produced or delivered	4.75	5.83	-18%
9.	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	4.75	4.54	5%

10.	Performance shortfalls may trigger activist shareholders who seek significant changes to our organization's strategic plan and vision	4.73	5.68	-17%
11.	Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base	4.70	6.23	-25%
12.	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	4.58	5.49	-16%
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	4.42	4.24	4%

Macroeconomic Risk

S NO	RISK	2022	2021	VARIANCE%
1.	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	5.74	5.58	3%
2.	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	5.56	6.51	-15%
3.	Anticipated volatility in global financial markets and currency exchange rates may create significantly challenging issues for our organization to address	5.44	5.42	0%
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	5.43	5.88	-8%
5.	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	5.17	5.59	-7%
6.	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	5.06	5.66	-11%
7.	Economic conditions (including inflationary pressures) in markets we currently serve may significantly restrict growth opportunities or impact margins for our organization	5.02	6.40	-22%
8.	Anticipated increases in labor costs may affect our opportunity to meet profitability targets	4.92	5.78	-15%

9.	The current interest rate environment may have a significant effect on the organization's operations	4.88	5.43	-10%
10.	Our ability to access sufficient capital/liquidity may restrict growth opportunities for our organization	4.68	5.94	-21%
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	3.76	4.72	-20%

Operational Risk

S NO	RISK	2022	2021	VARIANCE%
1.	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	5.85	5.94	-2%
2.	Resistance to change in our culture may restrict our organization from making necessary adjustments to the business model and core operations	5.70	6.06	-6%
3.	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	5.53	5.58	-1%
4.	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	5.40	5.97	-10%
5.	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	5.31	5.40	-2%
6.	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	5.25	5.68	-8%
7.	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	5.24	NA	NA
8.	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	5.22	5.77	-9%

9.	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	5.11	5.65	-10%
10.	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	4.98	5.51	-10%
11.	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	4.98	5.36	-7%
12.	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	4.80	5.73	-16%

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

Most of the risks, across categories, showed a decreased risk score as compared to the previous year (i.e., 2022 vs. 2021) which is in contrast with last year (i.e., 2021 vs. 2020) wherein risk score increased across categories, indicating the overall impact of pandemic related disruption across risk categories.

Overall, the survey results for the Middle East region clearly indicate that the organizations plan to devote additional resources to risk management over the next twelve months which highlights the importance of risk management in the current business scenario. However, organizations continue to foresee challenges in the next 12 months in sustaining or strengthening the coordination and exchange of risk information internally.

Middle East vs Global Comparison – 2022

The comparison of Middle East risk rankings and global rankings for 2022 identified certain stark differences. As compared to the year 2021, there are very few risks that may potentially have a common level of impact on the organization. From a global perspective, the respondents have significant concerns on how the changes in the macro-economic environment may affect their organization. However, there seems to be a consensus that resistance to cultural change, inability to utilize data analytics and big data and shifting perspectives and expectations around diversity, equity and inclusion could potentially disrupt the operations and the reputation of the organization.

A year-on-year comparison of the global risk rankings reflect that there is no change in the importance of the top five risk between the years 2021 and 2022 i.e. the risks identified as the most critical in the year 2021 still remain the same for 2022 with marginal change in levels.

Globally, anticipation of increased labour costs (ranked 6th) and risk of cyber threats (ranked 9th) are amongst the top 10 risks identified that may have an impact on the margins and the core operations of organizations. Whilst in the Middle East region, anticipation of increased labour costs is ranked 26th and risk of cyber threats is ranked 28th. This highlights that laws and regulations surrounding the labour, human rights and cyber security would need to be evolved and enforced more stringently in the Middle East region.

At an overall level, a comparison of the results of the survey between the Middle East and Global highlight that the risk management functions globally are more mature than the Middle East, and due to that, global organizations were able to take timely actions to mitigate the impact caused by the onset of the COVID pandemic and they were able to shift their focus to take more strategic decisions rather than managing the operational day to day decisions.

Middle East vs Global Comparison – 2031

The comparison of Middle East risk rankings and global rankings for 2031 provided insightful reading. The top risk at global and Middle East level was the adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing, visual recognition software) in the marketplace and in the organization, which may require new skills that either are in short supply in the market for talent or require significant efforts to upskill and reskill existing employees due to rapid technological advances in the digital technologies currently which is expected to continue. This risk was ranked as the third risk in the ME region during the previous year.

The risk of regulatory changes, scrutiny and its impact over the business was ranked as the second risk at global level. However, the same was not even in the top five risks of ME region highlighting the difference between the regulatory structure and its enforcement at global and ME level.

Although the ME and global organizations are of the opinion that in the next 10 years, that entry of new competitors and non-favourable economic conditions (Top 10 risks) may significantly affect their ability for growth and sustenance of profit margins, the ME respondents indicate that the viability of their current business model and planned strategic initiatives will not be affected by substitute products or services and currently stands as the 23rd most important risk.

Finally, there is largely a consensus that disruptive innovations through the use of digital technologies and big data will play an influential role in the strategy of the company and its ability to optimize operations and capitalize on potential opportunities for growth.

Demographics

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

Industry

INDUSTRY	MIDDLE EAST	GLOBAL
	54	1,453
Financial Services	17%	22%
Consumer Products and Services	20%	22%
Technology, Media, Telecommunications	7%	12%
Manufacturing and Distribution	9%	20%
Energy and Utilities	15%	9%
Healthcare	4%	6%
Other	28%	9%

Revenue

REVENUE	MIDDLE EAST	GLOBAL
	54	1,453
Less than $100 million	28%	23%
$100 million - $999.99 million	39%	31%
$1 billion - $9.99 billion	26%	32%
$10 billion or more	7%	13%

Organization Type

ORGANIZATION TYPE	MIDDLE EAST	GLOBAL
	54	1,453
Privately held	54%	42%
Publicly held	31%	46%
Government/Not-for-Profit	15%	12%

Headcount

HEADCOUNT	MIDDLE EAST	GLOBAL
	54	1,453
Fewer than 100	13%	15%
100 – 499	15%	13%
500 – 999	13%	10%
1,000 - 2,499	19%	13%
2,500 - 4,999	24%	14%
5,000 - 9,999	6%	11%
10,000 - 50,000	11%	18%
More than 50,000	0%	7%

Executive Position

EXECUTIVE POSITION	MIDDLE EAST	GLOBAL
	54	1,453
Board Member	9%	17%
Chief Audit Executive	13%	10%
Chief Executive Officer	15%	18%
Chief Risk Officer	7%	12%
Chief Financial Officer	13%	9%
Chief Digital Officer/Chief Data Officer	0%	4%
Chief Information Officer/Chief Technology Officer	22%	14%
Chief Strategy Officer/Chief Innovation Officer	6%	4%
Other	15%	11%

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 rate the overall business environment as less risky in 2022 vis-à-vis 2021, although when examining individual risks, respondents' rate 6 of the 36 risks included in the 2021 survey as higher in 2022 (recall we added six new risks in the previous year).

This suggests that the executives and board members over the last two years have initiated steps / measures to identify in a timely manner unknown risks that might emerge in the future while there is some level of certainty and confidence around the known risks.

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 everchanging 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 operational risks using less sophisticated 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 to enhance the risk management infrastructure and culture within the organizations. 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 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.

Carry forward risk management lessons learned from the pandemic

Because 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 them as never seen before, many are pausing to find ways to carry forward the positive lessons learned from the past 18 months:

- How has the level of open dialogue among executives about risks improved over the recent past and what can we do to preserve that level of transparency and focus going forward?
- The pandemic forced organizations to address risks it imposed on them and their longstanding approaches of delivering core products and services. That reality forced the integration of risk insights with the strategies of the business. What have we learned from our management of risks triggered by the pandemic about the importance of focusing attention on risks that are most critical to our core business operations and strategic initiatives? What changes have we made to our business model that should be preserved for the long term?
- Who are the key business leaders and groups (committee's, task forces) across the organization that were involved in helping navigate the unfolding risks our organization faced during the pandemic? 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?

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 2020 risk issues revealed about limitations in our organization's approach to risk management?
  - To what extent was the risk of a pandemic on our risk radar prior to early 2020? 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 so 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?
  - Did our transition to a work from anyplace virtual environment create information security issues? If so have we addressed those 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 on 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? Does the dashboard cover the most critical enterprise risks? Does it provide an effective and early warning capability that enables the organization to act as early mover in response to market opportunities and emerging risks?

Evaluate whether our risk focus is positioned to provide strategic value

Given the pace of change experienced in the industry, 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?
- To what extent is our leadership's knowledge of top risks enhanced by the organization risk management process serving as a value added input to the strategy setting process.
- 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?
- 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? Do we deploy scenario analysis techniques to understand better how different scenarios will play out and their implications to our strategy and business model? Are response plans updated for the insights gained from this process?
- 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, 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 in the past 18 months? 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 business 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 midcourse 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 across the organization?
- 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 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 and 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 become holistic and inclusive to sustain the culture of collaboration for managing risks? 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 that 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 for 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.

Conclusion

To succeed in the new normal, the risk ecosystem within the organization (board, board risk committee, heads of risk management and other risk leaders) must continue to be flexible, agile, transparent and collaborative to be able to respond quickly to the volatile economic conditions and changing business landscape whilst continually monitoring which changes may be temporary and which will become permanent.

As we consider the path to normalcy and recovery, it has become imperative that businesses plan for extreme disruptions of business and continually monitor the risk landscape for emerging risks that can become active threats at a pace faster than which business anticipates. 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.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2020 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60 percent of *Fortune* 1000 and 35 percent of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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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