The 2018 Risk Oversight report has just been published. This is showing that whereas risk management is moving … it is slow and far behind the increasing volatility of business conditions. Hence, companies find them themselves training further and further behind what is needed.

https://erm.ncsu.edu/library/research-report/2018-the-state-of-risk-oversight-an-overview-of-erm-practices#

Commenting on their 10 key findings:

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1	**Managing risks in today's environment isn't getting easier**. Most respondents (60%) believe the volume and complexity of risks is increasing extensively over time. And, 65% of organizations indicate they have recently experienced an operational surprise due to a risk they did not adequately anticipate.	This is interesting – when focusing on the future. The survey indicates, that the future of management will never be as simple and easy as it is today. It is vital, that Management and Boards step up to live in an increasingly volatile world.
2	**Demands for greater management focus on risks are increasing**. Most boards of directors (68%) are putting pressure on senior executives to increase management involvement in risk oversight. Strong risk management practices are becoming an expected best practice. These pressures are getting harder and harder for senior executives to ignore.	Given the above – no wonder Boards wants management to step up their approach. Why management seem to wish NOT to do so is beyond me – and why boards let such managers stay in their positions is even more unexplainable.
3	**Risk management practices in most organizations remain relatively immature**. Twenty-two percent of respondents describe their risk management as "mature" or "robust" with the perceived level of maturity declining over the past two years. Thirty-one percent of organizations (48% of the largest organizations) have complete ERM processes in place.	Maturity measurements differ depending on makes them. An organisation may have a very detailed process deployed – yet be totally inadequate, whereas another has only draft idea, and are front-running. Maturity is about how proactive the efforts are, and how seamlessly risk thinking is embedded in current business and decision processes.
4	**Organizations are formalizing their risk management leadership structures**. The percentage of organizations designating an individual to serve as chief risk officer (or equivalent) has increased over time, with 67% of large organizations and 63% of public companies doing so. Most of those organizations (>80%) have management risk committees.	This is a tangible – and slow/wrong – move. Having a CRO and a formal risk management organisational structure indicates risk management is added on existing processes, which is old-school and ineffective

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5	**Most struggle to integrate risk management with strategy**. Less than 20% of organizations view their risk management process as providing important strategic advantage. Only 29% of the organizations' board of directors substantively discuss top risk exposures in a formal manner when they discuss the organization's strategic plan.	This is actually embarrassing. Analyses demonstrates that 80% the times a company loses value it is due to strategic risks – yet, this realm of executive "I want this, make it happen" is still eluding being managed well. I wonder why boards keep accepting this. Where is their fiduciary responsibility towards shareholders.
6	**Organizations have some elements of risk management processes**. About one-half (45%) of the organizations have a risk management policy statement, with 43% maintaining risk inventories at an enterprise level. About 40% have guidelines for assessing risk probabilities and impact. Most (75%) update risk inventories at least annually.	I am more positive. A lot of organisations have good, solid process control and quality processes which cater to many of the operational risks (which will constitute the bulk of the risk register) – They just do not call it risk management. ISO 9000 is embedding risk and opportunity management in their (certified) standard.
7	**Boards receive written reports annually about top risks, but the underlying process may not be robust**. Most boards of large organizations (82%) or public companies (89%) discuss written reports about top risks at least annually; however, just 60% of those describe the underlying risk management process as systematic or repeatable.	These reports tend to be a waste of time. For one, most of the risks are listed year after year – and are rather generic. The board and management should discuss the appropriate level of risk taking, and receive reports on how strategic, tactical and business plans are leveraging this effectively.
8	**Opportunities exist for improvement in the nature of risk information being reported to senior management**. Forty-one percent (41%) of the respondents admit they are "not at all" or only "minimally" satisfied with the nature and extent of internal reporting of key risk indicators that might be useful for monitoring emerging risks by senior executives.	My guess is, that this is due to the static and backwards looking nature of the reporting. A report which addresses the key risks of current initiatives and which decisions needs to be made/approved to manage the entailed risks will be more relevant.
9	**Few organizations are linking risk management responsibilities to incentive compensation**. The lack of risk management maturity may be tied to the challenges of providing sufficient incentives for them to engage in risk management activities. Most (66%) have not included explicit components of risk management activities in compensation plans.	And one cannot wonder as to how long boards are going to stand for this – before they require an effective solution. Yu get, what you pay for – and if intelligent risk taking is not part of your target behaviour, you will deliver on what is.

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10	**Different barriers exist that limit progress in how organizations manage risks**. Respondents of organizations that have not yet implemented an enterprise-wide risk management process indicate that one impediment is the belief that the benefits of risk management do not exceed the costs or there are too many other pressing needs.	This must be based on the add-on yet another compliance and control system approach. Risk management is NOT a process – it is a tool to be applied in decision making processes throughout the organisation. In that respect, it closely resembles Total Quality Management (hence the ISO 9000 focus on risks and opportunities). 30 years ago you inspected your way to quality – today you lead your way. A similar development is needed for risks.

Obviously, there is plenty of work to do for my colleagues and me – transforming the backward looking, compliance-based control bureaucracy of risk management with a seamlessly integrated intelligent risk-taking decision tool.