Risk in review
Going the distance

Balancing risk agility and risk resiliency for enduring success

5th Annual Study
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pwc

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Risk resiliency + risk agility = enduring success

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The heart of the matter:

Risk resiliency + risk agility = enduring success

We live in turbulent times. In recent years, widespread business disruption has spurred companies to focus on acquiring the agility to quickly identify and seize new opportunities. But with the current economic uncertainty brought on by volatile oil prices, an uneven stock market, a slowing Chinese economy, and a chaotic US presidential campaign, it's no wonder 66% of CEOs in PwC's 19th Annual Global CEO Survey now see more threats than opportunities to their business.

To remain competitive in today's business climate, companies must pursue two parallel strategies: (1) building agile and flexible risk management frameworks that can anticipate and prepare for the shifts that bring long-term success and (2) building the resiliency that will enable those frameworks to mitigate risk events and keep the business moving toward its goals.

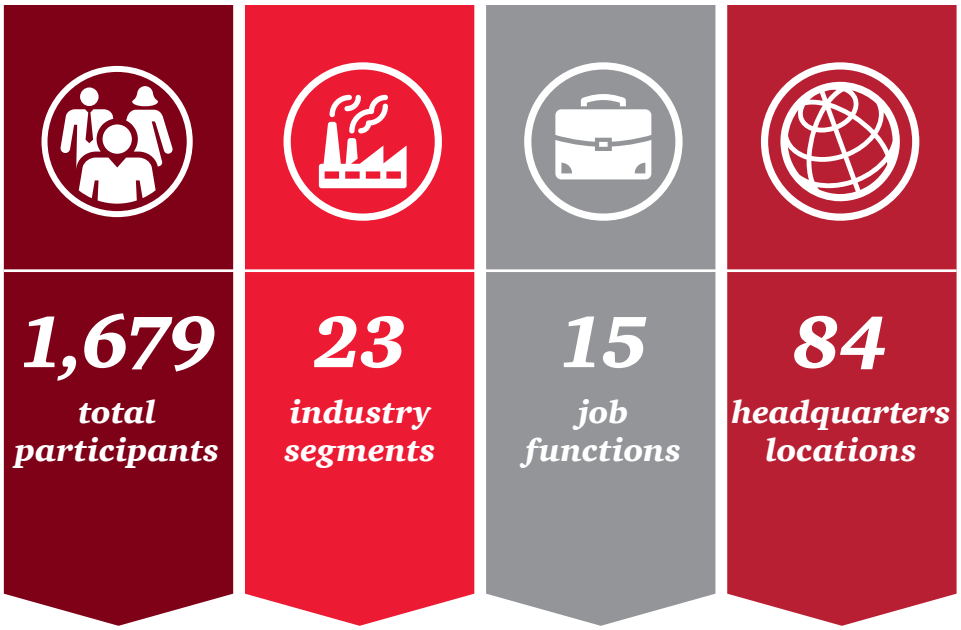


Figure 1

The importance of risk resiliency and agility



Risk agility: The ability to alter and adapt risk management infrastructure to respond quickly to changing markets, customer preferences or market dynamics.

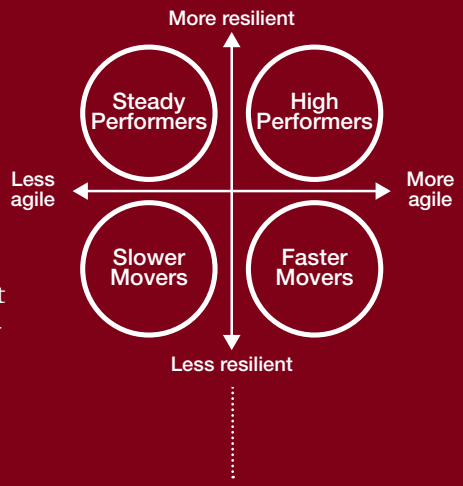
Risk resiliency: The ability to withstand business disruption by relying on solid processes, controls and risk management tools and techniques, including a well-defined corporate culture and a powerful brand.

Performers and movers: Building the risk resiliency/risk agility matrix

In our survey, we asked companies questions about their risk-resiliency and risk-agility capabilities, processes, and corporate characteristics. We then scored their answers on a 0–100 scale to create a risk resiliency/agility matrix. Respondents fell into four quadrants.

Steady Performers
Companies scoring in the upper-left quadrant are high on resiliency but lower in agility

High Performers
Companies scoring in the upper-right quadrant, which are in the sweet spot of being both highly risk agile and highly risk resilient



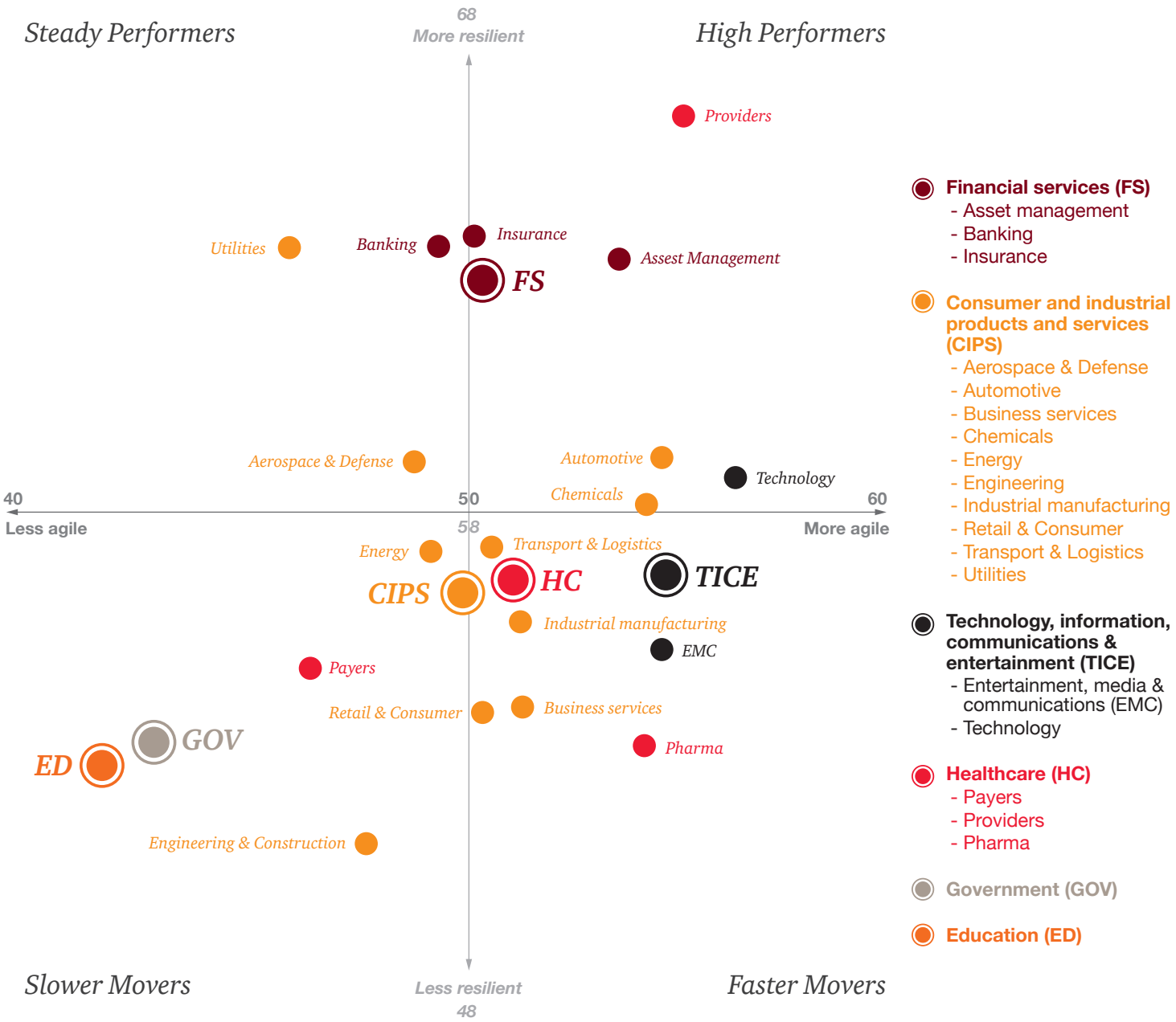
Slower Movers
Companies scoring in the bottom-left quadrant, having low agility and low resiliency

Faster Movers
Companies scoring in the lower-right quadrant, which are highly agile but not highly resilient

That connection between risk agility and risk resiliency is at the heart of this year's Risk in review study. Our analysis shows that risk-agile companies are far more likely to say they expect significant revenue and profit-margin growth than those that are not risk agile. But agility alone takes you only so far: companies we've termed Faster Movers may be pursuing risk agility at the expense of risk resiliency; relying too heavily on the strength of their brands to weather risk events; and they may lack strategies for business continuity, succession planning, strategic alignment, and data analytics—all of which are critical factors for promoting enduring success.

Figure 2

Risk agility/resiliency matrix, by industry



Companies that are risk-agile are far more likely to expect significant revenue and profit-margin growth, but agility alone only takes you so far: without risk resiliency they are putting their long-term success at risk

In sharp contrast, High Performers—the 36% of survey respondents who are both highly risk agile and highly risk resilient—appear to establish strong risk management cultures and structures that support their ability to weather destabilizing risk events, which in turn gives them the solidity to quickly and confidently respond to changes in their risk profiles. Remarkably, such companies are even more risk agile in almost every measure than Faster Movers. And the real kicker: even while being set up for greater resiliency, High Performers are only slightly less likely to expect significant growth. In other words, they've seem to have taken advantage of their risk management organization and strategies to find the sweet spot at the intersection of strong growth and sustainable success.

The key takeaway: even though risk agility boosts growth, balancing it with risk resiliency appears to give companies an enhanced competitive edge over the long term. As PwC Partner and Risk Assurance Leader Dean Simone says: "Risk management should be leveraged as a defensive tactic as well as an offensive catalyst. It comes down to how a company manages the upside combined with the downside of each business risk."

In light of the many changes we expect during the next year, the following advice from Jim Collins, author of *Good to Great* and *Built to Last*, has perhaps never been truer: "If there is any one 'secret' to an enduring great company, it is the ability to manage continuity and change—a discipline that must be consciously practiced, even by the most visionary of companies."

How do industries differ in their risk practices?



Pharma companies rate themselves highly on their ability to rapidly pursue growth opportunities: 52% say they are good at this vs. 41% of total respondents. However, only 23% use formal risk management techniques, 21% understand the velocity of risk, and less than half say they can deal capably with challenges.



Healthcare payer and provider companies are significantly more likely than respondents overall to say they are good at identifying opportunities ahead of competitors, but are among the least likely to employ formal risk management tools and techniques, at just 45%.



Financial services firms score highest in risk resiliency, and significantly outpace others in their use of data analytics. For example, 73% use Key Risk Indicators (KRIs) vs. 53% of all respondents. They are also more likely to have aligned risk management with strategic planning.



Industrial manufacturing companies are significantly less likely to say they continuously adapt their risk approaches based on emerging risks. Just 35% of firms say they do this, compared with 49% of total respondents.



Technology firms excel at identifying opportunities ahead of the competition: 56% of technology firms say they are good at this, compared with only 45% of total respondents. Indeed, TICE (technology, information communications and entertainment) companies as a group lead on virtually every measure when it comes to agility, though they fall behind on many resiliency metrics. For example, only 23% say their employees understand their company's business continuity strategies.



Retail and consumer products companies in our study are significantly more likely to have increased product offerings and are more likely to have expanded into new geographies. And 45% of retailers say they have transformed technology platforms to meet opportunities, compared with only 33% of CIPS (consumer and industrial products and services) respondents overall.

An in-depth discussion

Risk agility is critical for near-term growth

"Risk management should be leveraged as a defensive tactic as well as an offensive catalyst."

— Dean Simone, PwC Partner and Risk Assurance Leader

Despite the various uncertainties in the global economy, our survey respondents express real overall optimism about growth, with 75% expecting an increase in revenue in the next two years. However, less than half (40%) say they expect revenues to increase significantly (defined as more than 5%), and only one-quarter say profit margins will increase significantly. Companies scoring high on risk agility (High Performers and Faster Movers) are more likely than all other respondents to say they expect significant growth.

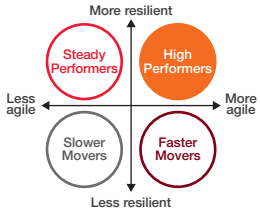
Superior risk-agility capabilities could explain why High Performers and Faster Movers are so bullish on growth. Focused more on the upside of risk, these respondents have the ability to identify opportunities ahead of competitors, rapidly pursue those opportunities, and accommodate changes to the business more quickly than can companies that lack agility.

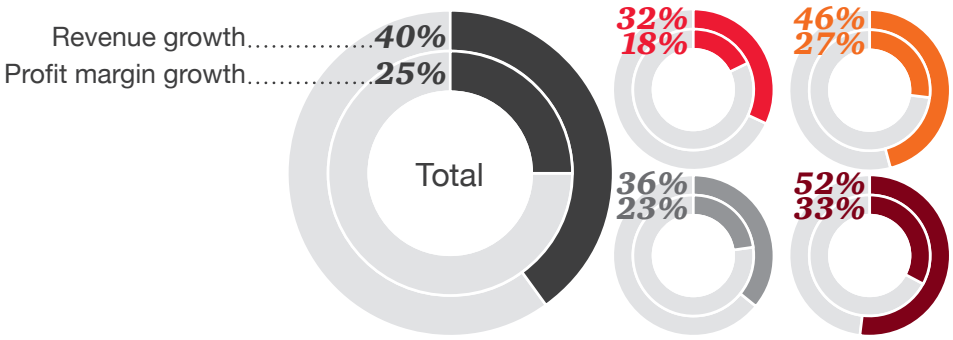
"Historically, risk management has been about preventing losses, protecting the downside," says Kimberly Johnson, Senior Vice

Figure 3

Risk-agile companies are more likely to expect significant growth

Companies expecting significant growth (greater than 5%) over the next two years:





President and Chief Risk Officer at Fannie Mae. “But that’s all playing defense. We think about risk also in terms of how to create opportunities because you find ways that you can make the right risk trade-off: where there are returns.”

Jasmin Lussier, Chief Compliance Officer at PPG Industries, agrees: “A risk-agile organization is one with a cohesive and thoughtful process in terms of understanding current and future risks.”

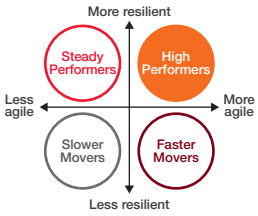
By definition, Steady Performers and Slower Movers are less agile than Faster Movers and High Performers, but what is striking is the size of the gap between them, as Figure 4 illustrates.

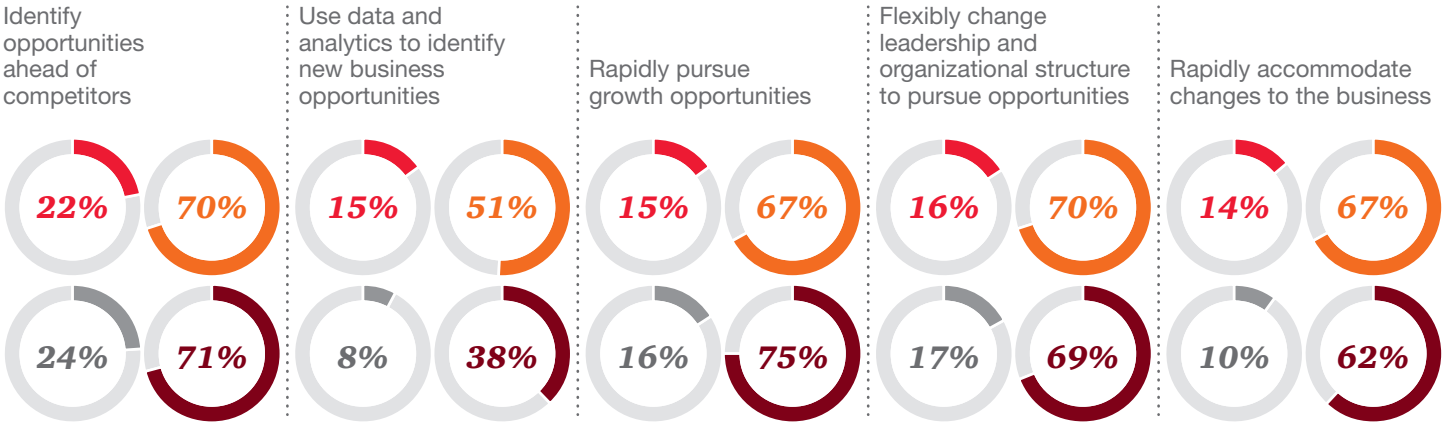
Overall, our survey results tell us that for near-term revenue and profit-margin growth, risk agility trumps risk resiliency.

Figure 4

Stark contrasts on agility capabilities

Respondents say their companies’ risk agility capabilities enable them to:





Case study: Fannie Mae

Making an 80-year-old government-sponsored enterprise more risk-agile

Since the collapse of the housing market in 2008–09, Fannie Mae—the government-sponsored enterprise that provides liquidity to the mortgage market and plays an essential role in setting loan eligibility, underwriting, and risk management standards—has been forced to rethink its strategic plan and redetermine how it can best help generate positive impacts on the US housing market. From the very start, risk management has been deeply embedded in the conversation.

"Everybody is trying to crack the wheel around faster and more-agile business delivery," says Fannie Mae's Senior Vice President and Chief Risk Officer, Kimberly Johnson. "We're an old company," she explains, adding that the company uses many legacy systems, "but we're working all the time on becoming more agile." For example, she says, "We had key performance indicators and key risk indicators built together, in tandem, into the launch of our new strategic plan. The partnership with the business was tremendous—and a unique way to begin a transformation."

Fannie Mae is investing in new tools and techniques to change its approach to risk management. "We are working on new, better, faster, more reliable data and models, and streamlined business processes," says Johnson, "and we are striving to reduce risks and costs to us, to our customers and to the housing finance system as a whole. But we also think about risk in terms of playing offense. We're now thinking about innovation from a strategic risk perspective."

Just as critical as developing new tools, she asserts, is changing the culture within the organization regarding regular conversations about risk and when it should be escalated. Johnson now convenes meetings three times a week with her senior staff to evaluate new risks on the horizon. "It's not only about the tools; it's also about the people," she says. "It really is cultural. Whether or not people are identifying and escalating risk issues—be they small or large—really depends on the environment you create."

"We think about risk in terms of playing offense…thinking about innovation from a strategic risk perspective."

— Kimberly Johnson, Senior Vice President and Chief Risk Officer, Fannie Mae

An in-depth discussion

Agility without resiliency raises business sustainability risk

Agility may be critical for near-term growth. But can highly risk-agile companies also succeed over the longer term, sustaining their growth momentum?

Companies ignore the connection between risk agility and risk resiliency at their peril

We compared High Performers' risk agility responses with those of Faster Movers and found striking results. Faster Movers outscore High Performers in only two areas: They are slightly better at rapidly pursuing and mobilizing for new growth opportunities. But in every other metric we examined, High Performers actually score better on risk agility than Faster Movers do. As a group, High Performers score higher on agility than Faster Movers by more than seven points (66 for High Performers, 59 for Faster Movers).

This suggests that High Performers gain an "agility boost" by being highly resilient. In other words, their risk-resilient techniques help them develop greater risk agility. Morenike Miles, Deputy General Counsel for Enterprise Risk Management of Virginia power utility company Dominion Resources, sees this important connection between risk agility and resiliency: "Keeping our sights trained on the risk landscape really does help increase our agility," she says. "We're able to be better positioned to respond to changes in the business environment and regulatory climate and to changing market dynamics. And that agility helps us become more resilient: we can identify and respond to risk earlier, and that increases our ability to withstand and craft controls to mitigate those risks."

High Performers move beyond risk agility to enable their companies to weather events that may push their growth strategies off course. They're significantly better able to launch business continuity plans following a disruption, mobilize the right internal resources to respond effectively, and successfully communicate response efforts to stakeholders. They're also far better at bringing in third-party resources as needed. Says Andrew Rabinowitz, Chief Operating Officer of Marathon Asset Management: "As the saying goes, 'I am wise because I know what I do not know.' What that means is that none of us knows everything about all aspects of every topic, especially risk. You have to know when it's time to have some humility and awareness and raise your hand and ask for guidance from industry experts."

Todd Bialick, PwC Partner and Trust and Transparency Solutions Leader, agrees: "Every company has its core competencies. But if you have a strategic relationship and a level of trust between you and your third-party partner, you can build processes that not only make you stronger but help you move faster as well."

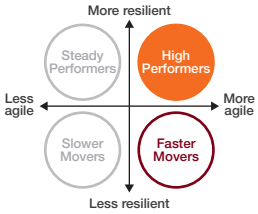
"Companies that are able to truly align their risk management activities with their strategic planning process and/or strategic priorities are moving the needle from enterprise risk management to strategic risk management."

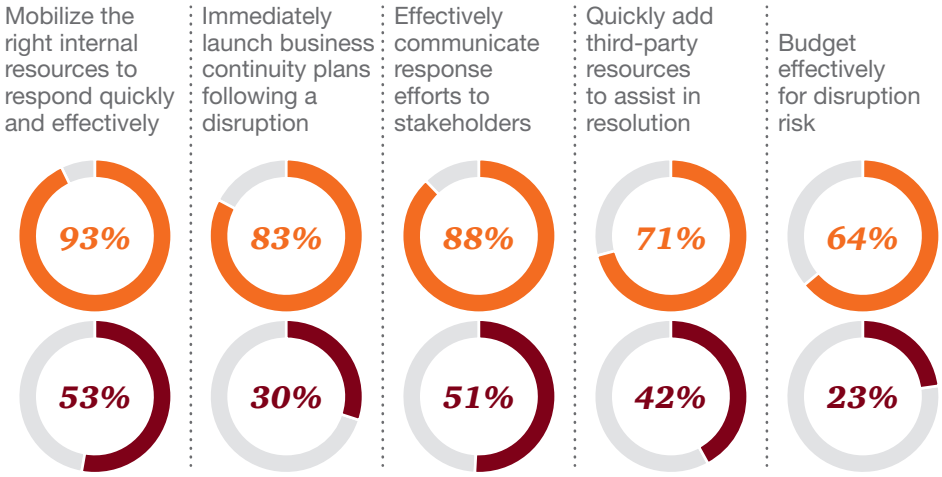
— Brian Schwartz, PwC Principal and Risk Management and Compliance Solutions Leader

Figure 5

Faster Movers lack business continuity strategies

Respondents say their companies' risk resiliency capabilities enable them to:





High Performers are also more likely to budget effectively for disruption risk (64% vs. just 23% of Faster Movers). Figure 5 illustrates the significant gap between Faster Movers and High Performers across a range of risk resiliency measures.

In contrast to High Performers, Faster Movers appear to rely more heavily on the strength of their brand names to see them through adversity instead of investing more in key risk management tools and techniques that would prepare them to successfully manage risk events. For example, although 69% of Faster Movers say they have strong and respected brands, only 43% continuously adapt their risk approaches based on emerging risks, and only 35% have succession plans for senior leadership.

Significantly, just 42% of Faster Movers report having well-defined and automated information technology (IT) security processes. But according to Grant Waterfall, PwC Partner and Global Cybersecurity and Privacy Assurance Leader, "Virtually all companies need to improve their approaches to security to become more risk resilient and risk agile. For resilience, it means investing in a broad-based cybersecurity risk management program. For agility, it's about both pivoting security attention to support the rapid development of

Significant regional differences in risk agility and resiliency

As a group, **respondents whose companies are headquartered in North America** report having the greatest risk agility and risk resiliency. They are more likely to say they have proven records of protecting their core businesses while remaining innovative and agile: 55% compared with 45% of European respondents and 39% of Asian respondents. North American respondents also rate their ability to mobilize internal resources as much higher than the ability of others: 70% say they are good or excellent in this area. Only 16% of North American respondents, however, say they have had or plan to have an independent assessment of their companies' risk agility versus 23% in Middle East/Africa, who say the same. And just 45% of North American respondents say they identify opportunities ahead of their competitors—as against 61% in South America who make that claim.

Respondents **headquartered in Asia** rank second highest in risk resiliency (though well below their North American counterparts) and third in risk agility. They are least likely to say they can identify opportunities ahead of their competitors or that they understand the velocity of risk. When it comes to being able to immediately launch business continuity plans following a disruption, however, respondents in Asia (57%) outpace their peers in Europe (51%), the Middle East/Africa (46%), and Latin America (43%).

Respondents **headquartered in Europe** score near the top when it comes to the use of risk management tools and techniques, with 57% claiming this is characteristic of their organizations—just behind Asia (58%). European respondents also see their brand leadership as a strength, at 71% (behind only North America, at 77%). Overall, they rank third highest for risk resiliency but outpace only the Middle East/Africa on agility.

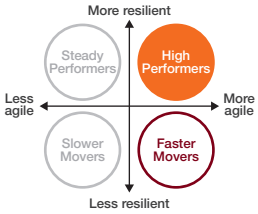
Respondents **headquartered in the Middle East/Africa** are more likely than respondents headquartered in other regions to have established business models with documented risk management processes (61% vs. just 42% in Latin America and 58% in Europe). These respondents are also most likely to agree or strongly agree that their companies understand the velocity of risk (43% vs. only 29% in Asia). Still, on average, companies in this region score lowest on agility and second lowest on resiliency.

Risk agility significantly outpaces risk resiliency among respondents headquartered in **Latin America**, with 61% saying they are good or excellent at identifying opportunities before their competitors, compared with only 40% of respondents in Asia and the Middle East/Africa and 48% in Europe. More than half (52%) of Latin American respondents agree or strongly agree that their companies encourage process flexibility to improve efficiency, versus just 39% in Europe, Asia, and the Middle East/Africa.

Figure 6

Faster Movers rely too much on brand

Respondents say these risk resiliency characteristics describe their companies:





customer-facing digital technology that drives revenue and using advanced techniques to better predict, detect, and respond to a rapidly changing digital and threat landscape." Dennis Chesley, PwC Principal and Global Risk Consulting Leader, agrees: "Many executives are declaring cyber as the risk that will define our generation."

Our analysis suggests that while High Performers are building stronger foundations for long-term growth, Faster Movers are pursuing agility without adequate risk resiliency—even though the revenue and profit margin gains they see with that approach are only negligibly higher.

"I've seen companies with aggressive top-line growth targets decide not to invest at the appropriate level in their risk management programs," says Brian Schwartz, PwC Principal and Risk Management and Compliance Solutions Leader. "There are too many examples of companies across sectors that allow their growth to outpace their infrastructure. The unfortunate result is that their vulnerability peaks, and risk events become more crippling to their brands."

Companies ignore the connection between risk agility and risk resiliency at their peril. Silicon Valley, for instance, is known for fast-growth firms and disruptive business models, but even

What are companies focusing on for growth?

Companies have focused on various growth strategies in the past 18 months. Among respondents overall, 72% have increased product offerings, 69% have transformed their technology platforms, and 60% have diversified their portfolios.

High Performers are significantly more likely to report the use of transformed technology platforms than Faster Movers. Faster movers, meanwhile, appear far more likely to have reorganized around new business models.

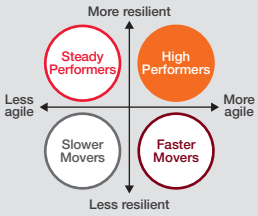
By sector, respondents in TICE companies (technology, information, communications and entertainment) are significantly more likely to have increased their product offerings than are respondents as a whole (84% vs. 72%). Financial services and health industries respondents are also strongly focused on products (78% and 79%, respectively). Pharma companies are more likely to be pursuing strategic acquisitions. From a regional perspective, Latin American respondents are most likely to say they changed their go-to-market strategies in the past 18 months: at 64% vs. 42% overall.

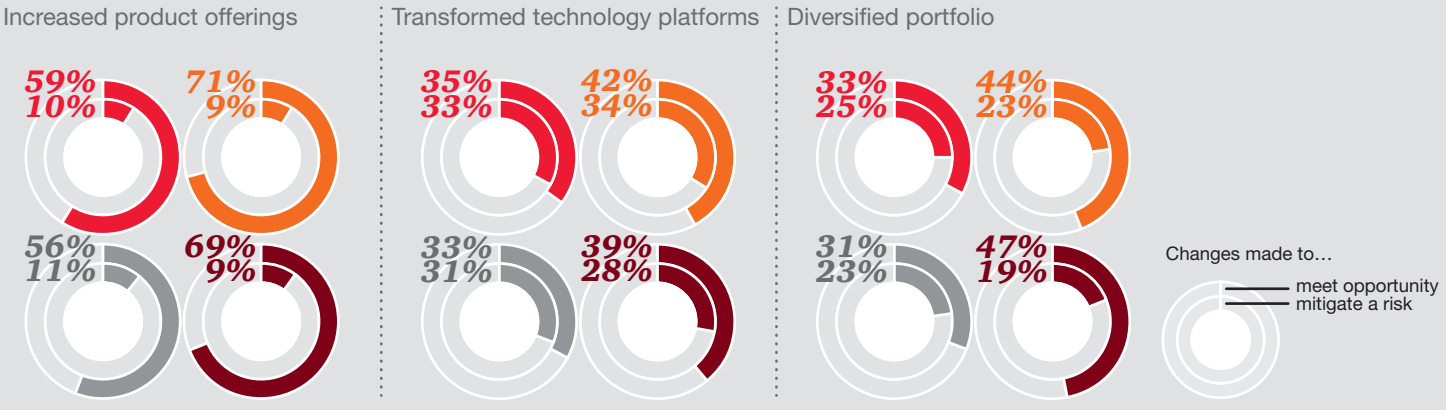
Striking a balance between the ability to flex their risk appetite to capture new opportunities and the resiliency to protect against unexpected risks appears to help companies achieve their growth objectives. One important way of developing that balance is to align key performance indicators with key risk indicators. Another is to apply data analytics for an understanding of early-warning signs.

Figure 7

Changes to meet opportunities—and mitigate risk

Respondents report making the following changes to their businesses in the past 18 months:





in that environment, compliance issues can cause companies to stumble. Recently, concerns about improper licensing of the insurance salesforce at a human resources software platform unicorn led to the resignation of the company's founder and CEO.

On the other side of the coin, innovative companies often demonstrate they can effectively manage growth without major resilience risks.

Five years ago, for example, Microsoft made a strategic shift: Realizing the future of software delivery was "in the cloud," it took its premier product, Office—which includes Word, PowerPoint, and Excel—and made it available online in a new suite called Office 365. "There were some naysayers who predicted we would not be successful in the cloud," says Melvin Flowers, Corporate Vice President at Microsoft. History has proven those doubters wrong.

To manage such large transformations successfully, risk executives "have to actually understand the strategy and business plan for the company. We must help management identify key risks and develop the appropriate mitigation plan," Flowers says.

Risk managers should be engaged as early as possible when strategic business conversations begin, he stresses, but they must always be focused on adding value to the business. That means determining how controls can be enhanced or processes can be improved before any shift is implemented. "Whether or not they turn out to be issues, you can still add a lot of value," Flowers says.

"Any time you are in a conversation, you have an obligation to either add some value or make sure what you are taking away is leading to a process that will add value. You are only as good as your last contribution," he added. "You earn your stripes every day."

"There were some naysayers who predicted we would not be successful in the cloud."

— Melvin Flowers, Corporate Vice President, Microsoft

"The most sophisticated companies are using visual data tools to spot trends and be more predictive. That makes them simultaneously more resilient and more agile—and increases the likelihood of success."

— John Sabatini, PwC Principal and Advanced Risk and Compliance Analytics Solutions Leader

Marathon Asset Management's Andrew Rabinowitz says the increasingly global nature of investments and the higher expectations involved in regulatory and compliance governance make it imperative for his company to examine its risk profile every day. "Everyone at the firm—whether you're an analyst, in operations, on the risk team, the CEO, or the CIO [chief information officer]—everyone is asked to think about risk as part of their business… so there's constant back-and-forth in a constructive manner. It's not like we meet only once a week at 7 A.M. and 'Don't bother me until then.' It's very interactive."

That alignment is critical for success, says Jason Pett, PwC Partner, Internal Audit Solutions Leader and Financial Services Risk Assurance Leader. "In a company where risk management efforts are truly aligned, the second and third lines of defense—risk management and internal audit—work alongside the business units as the latter make decisions and take on risk, thereby helping them read that risk and respond to it in real or near real time."

John Sabatini, PwC Principal and Advanced Risk and Compliance Analytics Solutions Leader, says: "The most sophisticated companies are using visual data tools to spot trends and be more predictive. That makes them simultaneously more resilient and more agile—and increases the likelihood of success."

Finding the right balance point between risk resiliency and risk agility can be very different from company to company and industry to industry, says PwC's Brian Schwartz: "The key is to strike the right balance that allows for growth at a comfortable pace relevant to the risk appetite and risk tolerance levels set by management and accepted by the board."

Likewise, putting clear decision-making processes in place and defining responsibilities can actually make it easier for an organization to accelerate its risk assessments, according to Joseph Ho, Senior Vice President of Enterprise Risk Management at Energy Future Holdings: "It does sound a little counterintuitive to say, 'Hey, to become more agile, I'm going to put in a new process.' But it does help." With increased transparency, he adds, "major hedging decisions can be made very quickly."

The path forward

How Chief Risk Officers and Chief Compliance Officers can lead

Chief Risk Officers (CROs) and Chief Compliance Officers (CCOs) have a responsibility to help their companies become both risk resilient and risk agile. Their roles uniquely position them at the crossroads of risk resiliency and risk agility, which gives them an important platform for driving needed organizational change.

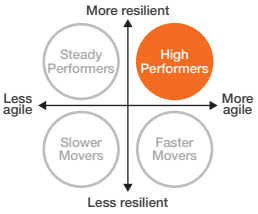
Within high performing companies, 63% of Chief Risk Officers (CROs) say they are seen as catalysts for growth compared with 36% of CROs overall

CROs are confident the C-suite recognizes the value they bring: a clear majority (68%) say their function is respected and valued by senior management, and 59% say other business functions proactively seek their advice. For CROs at High Performer companies, those figures are significantly higher, at 91% and 88%, respectively. But only about one-third of all CROs in our study say their risk management strategies are seen by others beyond the C-suite as catalysts for growth, which signifies a major opportunity to change perceptions. At High Performer companies, the results are much higher: 63% of High Performer CROs say they are seen as catalysts for growth.

Figure 8

Changing the perception of risk management as an enabler for growth

Chief Risk Officers report that their companies' risk management program:





Case study: UnityPoint Health

Using risk resiliency to raise agility—and improve patient care

The healthcare ecosystem in the US is changing rapidly, especially since the Affordable Care Act took effect. At Trinity Muscatine Hospital in Muscatine, Iowa, part of the UnityPoint health care network, the staff is "getting really good at being able to respond quickly to change, and make improvements quickly and efficiently," says Jamie Bosten, Chief Compliance, Privacy and Risk Officer. The hospital has built systemic processes that can turn reliability metrics into process improvements that boost organizational agility.

"We had to find a better way to look at problems and solve them," Bosten explains. So scattered across the facility are "opportunity boards" where any employee can "scribble a couple of key details onto a 3 x 5 card" and post it on the board. Each day, the forms are examined and reviewed, and stratified in terms of their risk severity, potential to recur, and other factors. Simple issues are fixed at once. For more complicated issues, "we find people who are doing the work, we find subject-matter experts in the area we think might cross into this particular area, we put them all in a room together and follow a standard process for evaluating the situation. We come out with an action plan and timeline to implement it."

In practice, that means that "we can take something as complex as an adverse-outcome event and within about an hour of having the meeting, we have a plan for preventing that from ever happening again," Bosten says. In this way, the hospital creates a virtuous circle of resiliency and agility.

> *"We had to find a better way to look at problems and solve them."*
>
> *— Jamie Bosten, Chief Compliance, Privacy and Risk Officer, UnityPoint Health*

PPG's Jasmin Lussier notes that good risk managers must help their companies know when it becomes advisable to take on greater risks. "When you embed risk management into your day-to-day processes and discussions, you can better assess your options and perhaps take on different risks."

At Dominion, Chief Risk Officer Mark Webb says it's important to battle complacency within the risk practice. "If people get used to doing a certain type of assessment or certain type of analysis, it can become formulaic." To combat this, not only are managers frequently rotated from division to division within the utility, but every year "we include new requests, or new metrics, that will keep people's thinking fresh when they approach their assessments."

As regulatory mandates increase, a clear majority of CCOs (78%) agree their companies' senior management wants them to adopt a more forward-looking view when it comes to compliance; yet just 35% say they have adopted such an approach to the metrics they provide senior management, and less than half say they have the capabilities needed to make the changes in their compliance risk profile. More troublesome is that only 27% of CCOs say they have ample budgets and resources to protect their companies from compliance risk.

"We're not as far along as we'd like in taking a predictive approach to analytics in our risk management," says Microsoft's Melvin Flowers. "I do think there are some unique ways we can use data analytics to enhance our contributions to the business."

That ability to be forward-looking is really where risk management becomes a strategic asset, says PwC's John Sabatini. "If you really understand the business and you have this information at your fingertips—the things you most need to take action—then you have the pulse of the business, and you can make important decisions for today and also begin to think about the risks and opportunities the future will bring."

At Comcast, Cindi Hook, Senior Vice President, General Auditor and Global Risk Officer, says that a couple of areas the company has been investing in are "data analytics and doing more proactive monitoring—what we like to call enhanced-coverage analytics." Comcast is now seeing "how well we can push these techniques into the second line" to develop "a more formal control self-assessment-type program" to enhance risk resiliency in a rapidly changing industry.

Figure 9

Chief Compliance Officers are constrained by budget and resources

Reporting on their companies' compliance efforts…

78% Most say their company's senior management wants a more forward-looking view when it comes to compliance, however:



49%

Just 49% feel they have the capabilities needed to address the changes in their compliance risk profile

35%

Only 35% have adopted a forward-looking approach in the metrics they report to senior management

27%

Only 27% feel they have ample budget and resources to protect their company from compliance risk

Conclusion

10 ways to build enduring growth

In a world full of unforeseeable hazards, companies must build both risk-agile and risk-resilient infrastructures to achieve sustained success. The High Performers in our study do that best, yet there are measures all companies can take to better balance risk agility and risk resiliency. Following are 10 leading practices to consider.

1. Align risk management with strategic planning. Understanding company strategy from its earliest development phase is critical. As PwC's Brian Schwartz says, "Companies that are able to truly align their risk management activities with their strategic planning process and/or strategic priorities are moving the needle from enterprise risk management to strategic risk management."

2. Hold the business units accountable for managing and monitoring their risks. Business units should be your company's first line of defense against risk. Putting this responsibility solely on the second line (risk management) can focus too much on defense.

"Chief Risk Officers have an opportunity to take a much more active leadership role in connecting the business around managing cybersecurity risk... to help the business think and move boldly as well, turning your company's security platform into a predictive tool that can keep you one step ahead of threats — and the competition."

— Grant Waterfall, PwC Partner and Global Cybersecurity and Privacy Assurance Leader

Figure 10

High Performers align risk management with strategic planning

Respondents who say their strategic planning function is aligned with their risk management program today

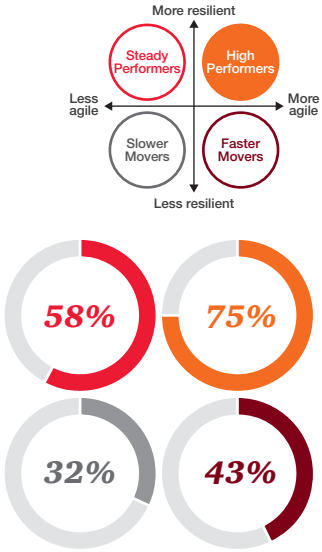
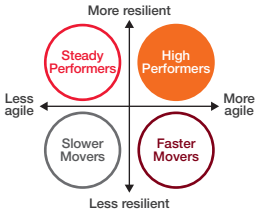
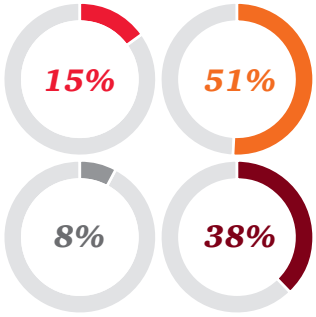


Figure 11

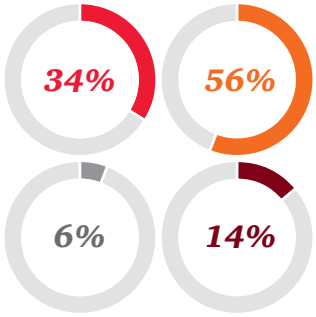
High Performers use data and analytics tools more effectively



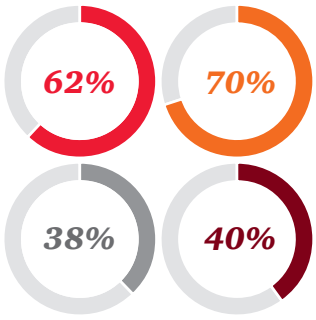
We use data analytics to identify new business opportunities



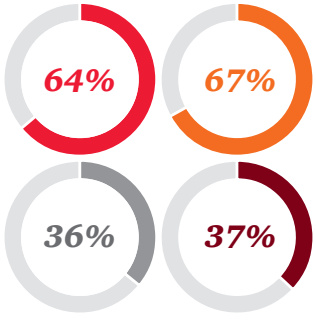
We apply analytics effectively to improve resiliency processes



We use key risk indicators (KRIs)



We use corporate risk dashboards/visualizations



"The person overseeing risk must have a seat at the strategy table and must promote active alignment across the organization. In most large companies, it's a critical C-suite role."

— Jason Pett, PwC Partner and Internal Audit Solutions and Financial Services Risk Assurance Leader

3. Define your risk appetite. Understanding the extent to which a company can withstand risk and aggregating risk across the enterprise helps executives make decisions on how resilient and agile the company can be. While defining your organizational risk appetite is important, communicating it throughout the organization so people can leverage it is even more important," says PwC's Brian Schwartz.

4. Invest in data analytics to take a forward-looking view of risk. As software tools become more powerful and predictive, and as they can facilitate more and more transparency across the enterprise, clear advantages can accrue to companies that integrate the new techniques. "We continuously look at ways of managing all of our data more efficiently and effectively across our businesses," says PPG's Jasmin Lussier. "This helps drive our efforts to use the data for predictive purposes."

5. Establish a set of KRIs that are relevant for your business, and then align them with your company's KPIs. "Many companies are good at tracking key performance indicators (KPIs) because KPIs are historical; they look backward," says PwC's John Sabatini. In contrast, "tracking key risk indicators (KRIs) is about trying to figure out what risk events could arise in the future. You have to do both to be successful."

6. Appoint a CRO or similar role if you don't already have one. In some companies, that may mean combining the Chief Risk Officer and Chief Audit Executive roles. Either way, the person overseeing risk must have a seat at the strategy table and must promote active alignment across the organization. "In many large companies, it's a critical C-suite role," says PwC's Jason Pett.

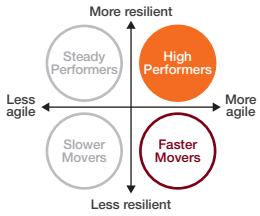
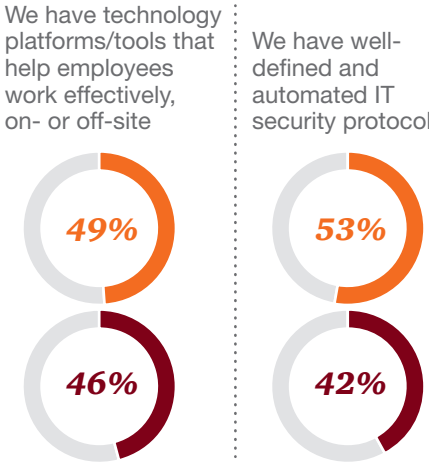


Figure 12

Faster Movers underperform on IT and security



7. Develop flexible governance, risk management, and compliance technology platforms, and automated security processes across your IT infrastructure. As corporate needs shift and the footprint of both assets and employees are under constant review, flexible platforms can play an essential role to help manage rapid growth without jeopardizing security. Agile companies need the flexibility to shift platforms and processes as demands change. "Leading businesses are automating security processes, using advanced analytics to predict and detect incidents more quickly, and automating access management processes and risk and compliance management processes," says PwC's Grant Waterfall. "They're also increasingly adopting cloud-based security solutions."

8. Learn how to effectively partner with and take advantage of the capabilities of third parties. Even the most-highly-integrated companies have to learn how to separate core functions from auxiliary ones. "Having strong, just-in-time relationships helps companies find the right resources as needs arise, thereby creating greater risk agility and resiliency," says PwC's Todd Bialick.

9. Ensure strong triangulation between strategy, risk management, and business continuity management. All three are necessary to create long-term resilience that then serves to help a company become more risk agile. "When companies increase their overall resiliency, they can afford to be more agile in a controlled manner," says PwC's Brian Schwartz.

"Having strong 'just-in-time' relationships helps companies find the right resources as the need arises, creating greater risk agility and resiliency."

— Todd Bialick, PwC Partner and Trust and Transparency Solutions Leader

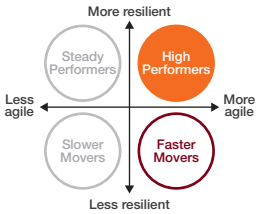
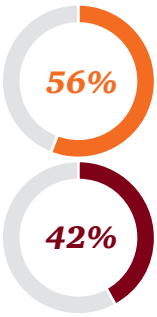


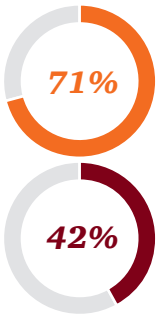
Figure 13

Strong relationships help High Performers be more resilient

Our risk management program is aligned with external stakeholders



We can quickly add third-party resources to assist in resolution



10. Remember that risk management is about playing both defense and offense. Change the perception that risk management is merely about keeping the company out of trouble. "The risk function has to keep up with the business so that it can help identify and navigate around the roadblocks and can help keep the company moving forward," says PwC's Dean Simone.

As they study today's corporate landscape, few executives would say the pace of change is slowing or that global competition or digitization will suddenly abate.

For the foreseeable future, companies will have to meet constant market, demographic, and regulatory changes with constant operational and strategic evolution. In such an environment, it's imperative that risk and compliance officers move assertively to elevate their risk resiliency and risk agility. By applying some of the techniques described in this paper and by driving risk awareness ever deeper into their corporate cultures, CROs and CCOs can move their risk processes forward and help their companies ensure enduring—and exceptional—performance.

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To have a deeper conversation about how this subject may affect your business, please contact:

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