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Heeding Lessons from Economic Downturn, Majority of Corporate Executives Report Need to Overhaul their Approach to Risk-Management, Accenture Study Finds

NEW YORK; [July 6, 2009](#) – The vast majority (85 percent) of corporate executives say they need to overhaul their approach to risk-management if the lessons of the economic crisis are to be used to improve business results, according to results of an Accenture (NYSE: ACN) study released today.

Accenture's 2009 Global Risk Management Study, based on a survey of 260 chief financial officers, chief risk officers and other executives with risk-management responsibilities at large companies in 21 countries, also found that 40 percent of respondents said that their companies already have increased or will increase their investments in broader risk-management capabilities in the next six months. Nearly another third (31 percent) of respondents said their companies are currently considering increasing their future investment in risk management capabilities.

Accenture's analysis also pointed to a lack of integration of current risk-management and performance-management processes. While nearly half the respondents said that their company's risk-management function is involved to a great extent in strategic planning (48 percent) or in investment and divestment decisions (45 percent), only 27 percent said the risk-management function was involved to a great extent in objective-setting and performance management.

"Executives could improve their organizations' performance and position themselves for economic recovery by linking and balancing risk management and performance management to aid their decision-making and increase shareholder returns," said Dan London, managing director of Accenture's Finance & Performance Management practice. "Being effective at this also requires companies to integrate their risk management capabilities enterprise-wide."

Survey respondents also identified a number of common problems with their risk-management functions, including:

- Ineffective integration of risk, return and capital issues in decision-making (identified by 85 percent of respondents);
- Lack of alignment between the company's strategies and its risk appetite (85 percent);
- Insufficient enterprise-wide risk culture (82 percent);
- Inadequate availability of timely risk, finance and business data (80 percent);
- Lack of integration and aggregation across all risk types (78 percent); and
- Ambiguous risk responsibilities between corporate and business units (78 percent).

Additionally, executives identified benefits they anticipate as a result of addressing their companies' risk-management shortcomings. For instance, while nearly three quarters (72 percent) of respondents said that their companies' risk management function has a major impact on their ability to comply with regulations, nearly two-thirds (61 percent) said the same about its impact on the company's ability to sustain profitability; and 58 percent said that risk management has a major impact on a company's ability to manage liquidity and cash flow.



Further, the study found that broader and better integrated risk management capability can have a variety of impacts on companies, including on: their ability to achieve competitive advantage (cited by 53 percent of respondents); their reputation in the public and with media (53 percent); rating-agency ratings (53 percent); their ability to achieve profitable growth (53 percent); their ability to secure positive analyst commentary (50 percent); and their ability to reduce cost of capital (47 percent)."

"The current economic downturn is the ultimate stress test of a company's risk management function, and the lessons learned can be leveraged to restore confidence and create a stronger, better, integrated and aligned platform for improving performance under a variety of business conditions," London said. "Leading companies recognize that an expanded, integrated risk-management program supported by technology that allows management to monitor risk-related factors across a company is not just a protective tool but one that can provide companies with a competitive edge in a constantly changing world."

The survey also found that companies expect new risk-related challenges as a result of the current economic environment, including more stringent regulations and increasing costs associated with growing complexity in the risk environment. For instance, forty-one percent of respondents reported that their risk-management costs have increased by at least 25 percent in the past three years, including 14 percent who reported a 50 percent rise in these costs.

Asked to identify the biggest challenges they face over the next two years as they develop more rigorous risk-management capabilities, respondents pointed to difficulty aligning with the overall business strategy (identified by 93 percent of respondents); the need for more effective collaboration with business units (89 percent); the need for greater integration in the firm's processes and culture (89 percent); and inadequate resources and talent (88 percent).

About the Study

Accenture conducted a survey of 260 chief financial officers, chief risk officers and other executives involved with risk management at large companies in 21 countries in Africa, the Asia Pacific region, Europe and North and South America. The purpose of the survey, which was conducted via the Internet between November 2008 and February 2009, was to understand the challenges companies face with regard to their enterprise risk management capability as well as the approaches, tools and structures that help some companies manage risk more successfully than others.