



James E. Blair, President

February 2022

Dear Colleague:

Top 10 Risks in 2022

The annual report of Top Risks facing world leaders was produced by the World Economic Forum in January. Again, the Forum met by video technology reflecting continued concerns about pandemic variants. Readers of this Advisory are living with the major seven, including 1) pandemic impacts on economies and unpredictable regulations, 2) natural disasters which exceeded \$350 billion globally last year, 3) Cybersecurity damage exceeding \$5.5MM per business impacted, 4) Supply Chain disruptions costing businesses billions in real costs and missed customer expectations, 5) inflation at a 40 year high, and 6) Social Cohesion disruption now reflected in the prospect of major armed conflict in Europe. All-in, number 7 is the US stock market reflection of Geoeconomics Confrontation and has lost a combined value of about \$4 trillion since the market peak on January 4. A very tough start to the new year! The entire Top 10 Risks are listed in the attachment.

Important to note is the major 7 have occurred simultaneously. This is a phenomenon called “Dynamic Risk” where multiple and related events inter-twine (or integrate) at the same time. If ever there was a real time lesson about the importance of Risk Governance integrated across all parts of your organization, it is now! Everyone on your team needs to treat strategic and tactical work as potentially impaired by risks internal and external to the business.

Analysis of the Top 10 Risks forecast by the WEF and Business Executives also reflects that most are within human control or major influence. The social and human interaction risks of climate change, livelihood, biodiversity, technology skills, succession and talent retention, resistance to change and deployment of “big data” are all within our leadership reach. Leadership influence is enhanced through proactive Risk Management Governance which is the sweet spot of [Integrated Risk Management Solutions, LLC](#).

Disruption as a Tool!

Disruption as a Tool is a growing method used by certain groups to erode Social Cohesion. From the January 6 attack on the U.S. Capital, to the Canadian trucker blockade, the skyrocketing frequency of cyber threats against financial and educational institutions, and dramatic increases in exposure to mis, dis, and mal information (MDM) delivered through all media sources by social advocates are creating confusion and unfortunately mistrust across societies.

The Department of Homeland Security released an updated National Strategy for Countering Domestic Terrorism in January - a somewhat startling statement on the fracturing state of social norms and the growing tendency for groups to deploy disruptive techniques against others who may be perceived in disagreement. Social Cohesion has been the core of societies operating in harmony for centuries and we now are confronted



by frequent challenges and disruptions that impair efficient work environments, supply chains, education processes and normal discourse. Disruption can be generated from any source and can impair your normal operations.

Anticipating human caused disruptions is tricky, but social media tools such as Glassdoor, Google Alerts, Whistle blower websites, LinkedIn and Facebook are resources that businesses can use to monitor chatter about your business and the employee/public perception and opinions that may foreshadow disruptive planning. The key is to Recognize early-on when potential disruptive planning is on the horizon. Please remember the three R's – Recognize, Respond and Recover remain fundamental Risk Management and Incident Response principles.

Environmental, Social and Governance (ESG)!

Environmental, Social and Governance is emerging as both public and private enterprises and policy makers increasingly recognize the importance of corporate governance over the risks posed by the Top 10 listed on the attached. The SEC has formalized reporting requirements for businesses to articulate ESG policy, action plans and performance. Investors are equally interested and influenced by ESG progress (Larry Fink's annual letter to CEOs on behalf of BlackRock).

Coupled with GRC – Governance, Risk and Compliance and DEI – Diversity, Equity and Inclusion initiatives, public and regulatory interest in corporate initiatives that are sensitive to human-kind and environmental impact grow in 2022 and beyond. Expectations from investors, regulators, employees, financiers, and customers continue to grow and impact every organization; public, private, non-profit and government. Successful navigation of these risk factors hinges on establishment of proactive Governance processes that guide decision making, strategic planning, operational excellence, anticipation of emerging risks and preparation for the unknown.

Proactive governance is the lynch pin for effective management of Risk. In a world marked by unknowns, Risk generated globally and delivered digitally, polarized disruptive behavior, and misaligned regulatory/legal actions, the most effective approach is Risk Governance that integrates all operating disciplines in order to optimize intelligence, expertise and leadership to the decision making process.

These are the Risk Management principles foundational to the work of *Integrated Risk Management Solutions, LLC*. We help you prepare and deliver trusted and responsive products/services. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business



Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement!

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a “Risk Awareness” culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:
 - Safety
 - Security
 - Information Security
 - Health & Wellness
 - Absence*
 - Theft
 - Fraud Prevention
 - Revenue Inefficiency
 - Audit
 - Compliance
 - Investigations
 - Settlements
 - Claims
 - Insurance
 - Crisis Management
 - Emergency Response
- * Incidental absence can increase the costs of employee health and wellness programs by 2X.
- Risk costs are in multiple silos hiding the “Total Cost of Risk” and measurable ROI.
- 80% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, estimates that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- Companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company more nimbly respond to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are “the source” of risk – **Operations Assurance is the key!**
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produce impactful cash flow improvement.

2022 Global Risks Defined by:

World Economic Forum

- Climate Action Failure
- Extreme Weather
- Social Cohesion Erosion
- Livelihood Crises
- Debt Crisis
- Human Environmental Damage
- Geoeconomics Confrontation
- Cybersecurity Failure
- Biodiversity Loss
- Asset Bubble Burst

Executive Opinion Survey*

- Pandemic-Related Regulations
- Succession & Talent Retention
- Pandemic-Related Market Drop
- Technology Skills Void
- Economic Conditions/Inflation
- Increased Labor Costs
- Resistance to Change
- Failure to Deploy “Big Data”
- Cyber Threats
- DEI Outpaces Performance
- * Protiviti -ERM Initiative

Manage Your Risks Well!

January 2022