

Centre for the New Economy and Society

Chief Risk Officers Outlook

October 2024



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This mid-year briefing on the global risks landscape is underpinned by consultations and surveys with leading chief risk officers from both the public and private sectors, organized by the Global Risks Initiative within the World Economic Forum's Centre for the New Economy and Society.

It aims to provide a real-time view of critical global risks and best practice approaches to risk reduction, to support policy-makers and business leaders facing compounding shocks to economies and societies.

The first section of the briefing provides an overview of the key risks and disruptions that chief risk officers expect to shape the remainder of 2024, while the second section examines the top external risks in terms of organizational impact. The final section examines the role of the risk function in organizational growth and innovation.

The survey featured in this briefing was conducted in May 2024.

Contents

Executive summary	5
1. A volatile mid-year outlook: the global perspective	7
2. Top impacts of external risks to organizations	10
Macroeconomic indicators	12
Cyber risk and criminal activity	12
Regulatory changes, compliance and enforcement	13
3. Spotlight: Rethinking the role of the risk function	14
Contributors	18
Acknowledgements	19
Endnotes	21

Executive summary

This edition of the *Chief Risk Officers Outlook* launches within what can continue to be characterized as a “risky” environment for leaders seeking growth and innovation opportunities. The overall global outlook appears to be more optimistic than it was during the same mid-year period last year. At the same time, there is near unanimity among respondents that continued volatility in 1) **geopolitical and geoeconomic relations between major economies** (96%), and 2) **political developments within major economies** (71%) are sources of concern for the remainder of 2024.

There are, however, signs that chief risk officers are more optimistic in other areas. For example, organizational risk associated with **technological developments** has declined in severity since 2023. While 38% of chief risk officers deemed **technological developments** to be an issue of widespread concern in 2023, 24% of respondents anticipated stability in this area for the remainder of the year. As such, the category had the highest proportion of respondents expecting stability.

Regionally, chief risk officers’ views appear to be most heavily shaped by the unfolding conflict in the Middle East. The majority of chief risk officers (84%) anticipate high volatility in the Middle East and North Africa for the remainder of 2024. Additionally, 40% expect high volatility in Europe, while another 40% expect it in the US.

The external risks that were identified as most likely to severely impact their organizations in the next six months were **macroeconomic indicators** (76% of respondents), **cyber risk and criminal activity** (71%) and **regulatory changes** (67%). While progress has been made since 2023, with some indications of more optimism from chief risk officers, **macroeconomic risks** remain a short-term concern. Also, in a notable shift since last year, the percentage of chief risk officers deeming **elections and political regime change** to be a risk of concern for the remainder of 2024 increased by seven percentage points to 43%. The uncertain impact of elections, in particular the 5 November US presidential election, is contributing to economic policy uncertainty, which in turn may be leading to investor and consumer caution, amplifying recessionary forces.

Overall, chief risk officers agreed that the role of a risk function is beneficial for organizations, with 95% of respondents stating that an **effective risk function provides a competitive organizational edge**. The survey results, however, reflect the challenge organizations face in fuelling growth while mitigating the impact of external risks.

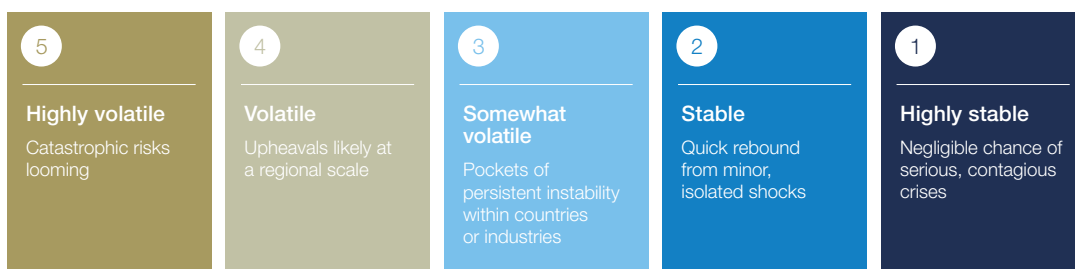
Most innovation and growth strategies being explored are focused on a short-term rather than a longer-term (one year) perspective. This is particularly true for **new partnerships or alliances**, with 81% of respondents focused on innovation and growth today compared with only 24% on a one-year basis.

The extent to which the chief risk officers' risk function informs strategic decision-making is varied, calling into question whether existing approaches to risk management are sufficient when navigating the current global risk landscape. More work may be required within some organizations to boost the impact of the risk management function (enabling it to play a greater role in shaping strategy), alongside careful attention to risk exposures.

1. A volatile mid-year outlook: the global perspective

The chief risk officer survey asked respondents to gauge the likely level of global volatility across five broad indicators (**technology, society, domestic politics, the**

economy and geopolitical relations) and nine economies and regions. Respondents were provided with the following categories of assessment when completing the survey:



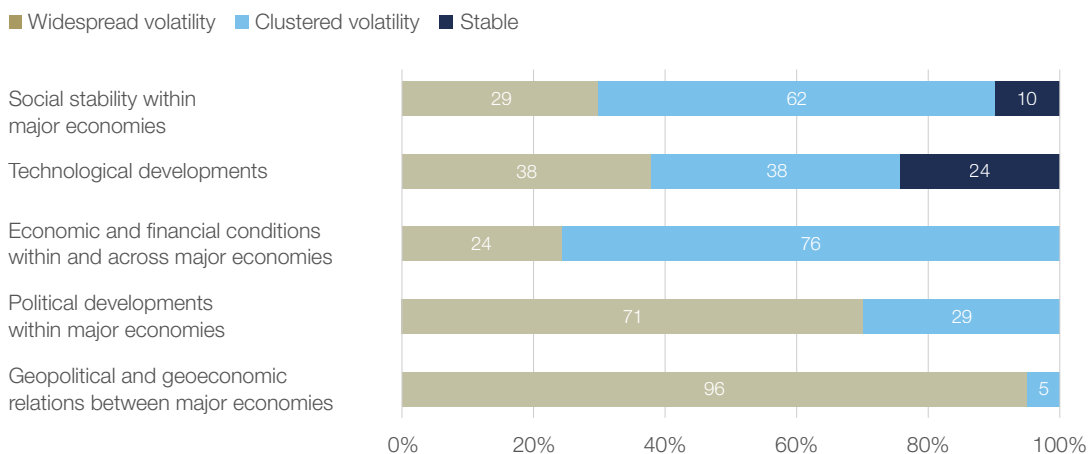
For analytical purposes, survey findings have been grouped into the following categories:



An expectation of volatility was prevalent in chief risk officers' responses, with no indicator perceived as being highly stable. The results are summarized in Figures 1 and 2.

Figure 1. Mid-year outlook for volatility by indicator

On a global scale, what level of volatility do you expect in the following indicators over the remainder of 2024?

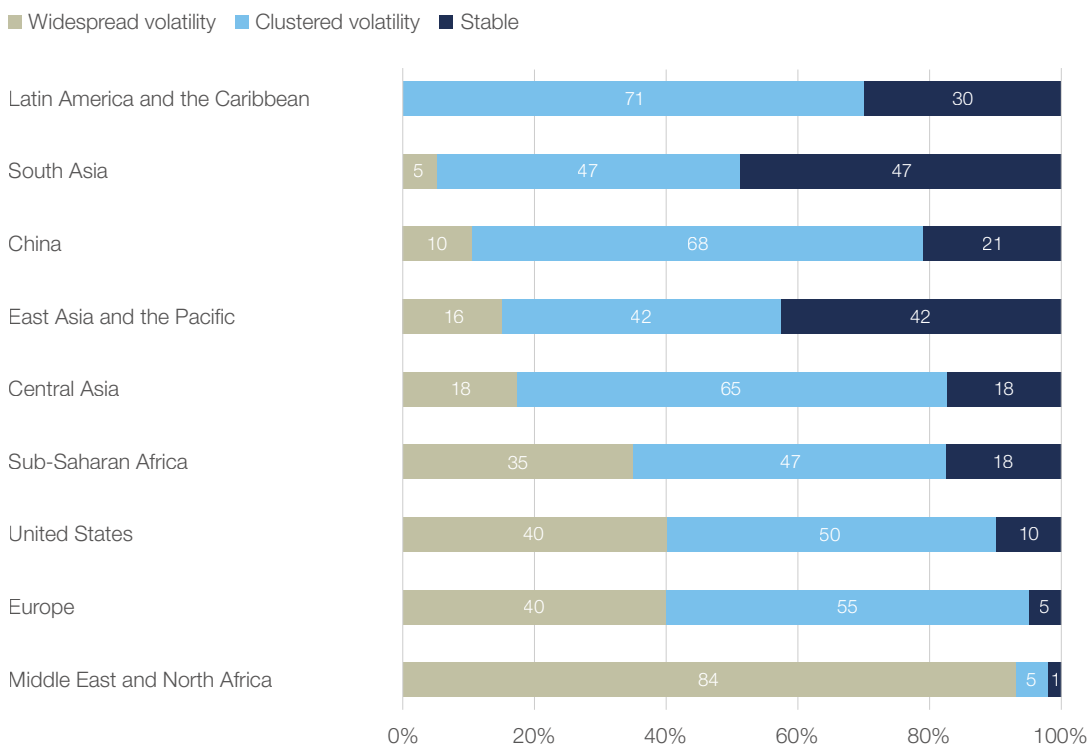


Note: The numbers in the graphs may not add up to 100% because figures have been rounded up/down. n=21

Source: Chief Risk Officers Outlook Survey 2024.

Figure 2. Mid-year outlook for volatility by geography

What level of volatility do you expect in the following geographies over the remainder of 2024?



Note: The numbers in the graphs may not add up to 100% because figures have been rounded up/down. n=21

Source: Chief Risk Officers Outlook Survey 2024.

While the overall global outlook is more optimistic than it was during the same mid-year period last year, there has been an uptick in chief risk officer concern for **geopolitical and geoeconomic relations between major economies** and **political developments within major economies** for the remainder of 2024.

Chief risk officers are most concerned with **geopolitical and geoeconomic relations between major economies** for the remainder of 2024, with the majority (96%) anticipating widespread volatility. Compared with the same period in 2023, the share of respondents anticipating volatile conditions has increased by 23 percentage points.

Such concern extends to the regional outlook, which remains skewed towards uncertain conditions in light of a proliferation of armed conflicts and heightened geopolitical tensions around the world that show no signs of improving.¹ Regionally, while the risk outlook in terms of volatile conditions is uncertain on a global basis, the majority of chief risk officers (84%) anticipate high, widespread volatility in the Middle East and North Africa for the remainder of 2024. There is further chief risk officer concern for

widespread volatility in the US (40%), Europe (40%) and Sub-Saharan Africa (35%).

There has additionally been an increase in chief risk officer concern around **political developments within major economies**, with close to three-quarters of survey respondents (71%) concerned about widespread volatility for the rest of 2024. This may reflect heightened concern associated with domestic politics, in particular the US presidential election on 5 November.

There are, however, signs that chief risk officers are more optimistic about volatility in other areas. For example, organizational risk associated with **technological developments** has declined in severity since 2023. While it is deemed to be an issue of widespread concern by 38% of chief risk officers, the category of **technological developments** has, of all indicators, the largest proportion of respondents who anticipate stability in developments for the remainder of the year (24%). **Social stability within major economies** is the only other indicator where some chief risk officers anticipate stable conditions (10% of survey respondents), although the outlook remains volatile overall.









2. Top impacts of external risks to organizations

Regarding the severity of the impact of external risks that the chief risk officers considered, there are three that predominate, with 60% or more of respondents stating

that the following are highly likely to have a severe impact on their organizations in the next six months:

Macroeconomic indicators	(76%)
Cyber risk and criminal activity	(71%)
Regulatory changes, compliance and enforcement	(67%)

The survey also considered the following risks:

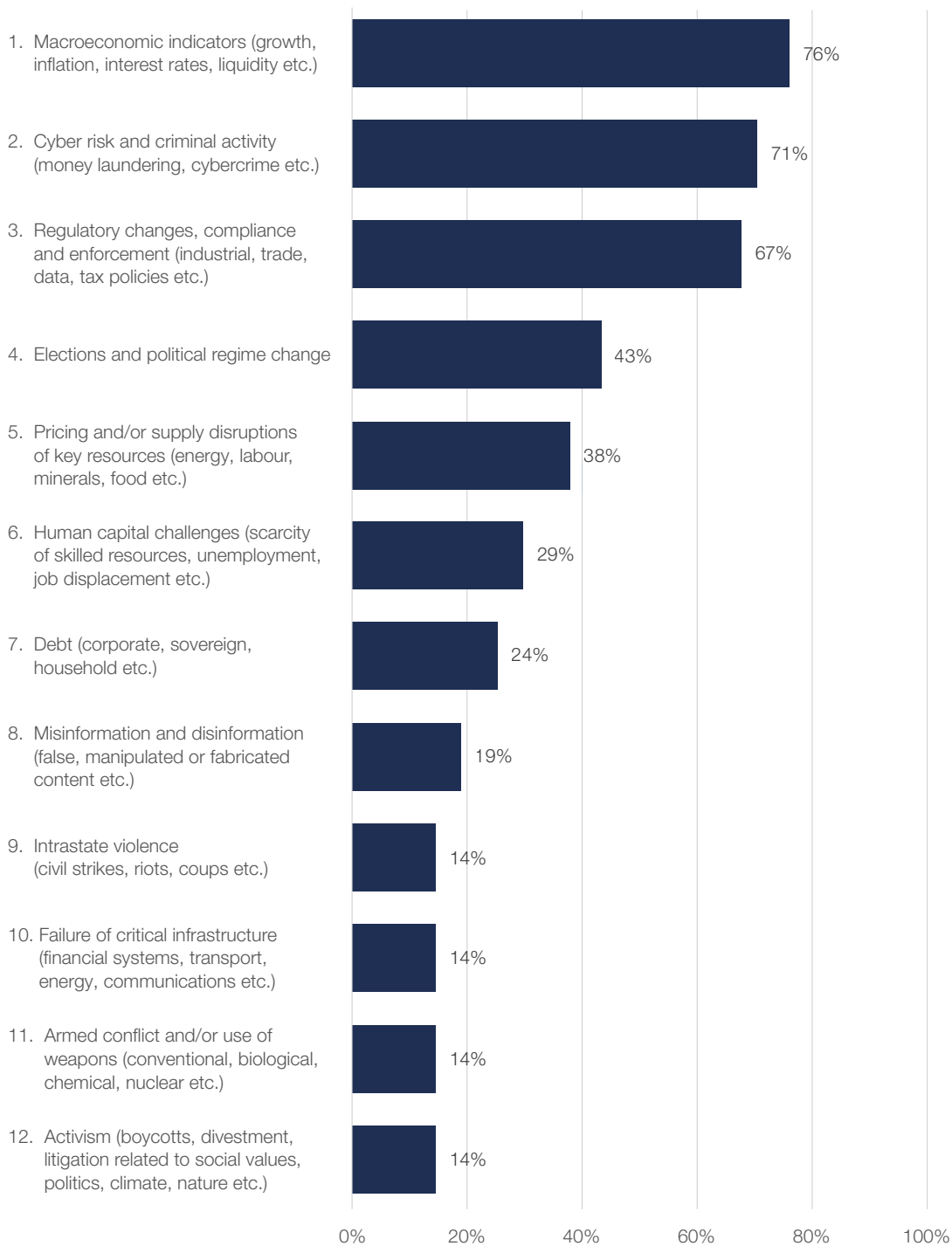
Elections and political regime change	
Pricing and/or supply disruptions of key resources	
Human capital challenges	
Debt	
Misinformation and disinformation	
Activism	
Armed conflict and/or use of weapons	
Failure of critical infrastructure	
Intrastate violence	

In a notable shift since last year, the percentage of chief risk officers deeming **elections and political regime change** to be a risk of concern for the remainder

of 2024 increased by seven percentage points to 43%. As a result, this indicator moved from the ninth to the fourth position in the ranking.

Figure 3. Top external risks to organizations

Please select up to five macro, external risks that are highly likely to have a severe impact on your organization by the end of 2024.



Note: n=21

Source: Chief Risk Officers Outlook Survey 2024.

Macroeconomic indicators

Chief risk officers identified persistent, troublesome economic conditions and inflationary pressures that remain higher than their pre-COVID-19 pandemic (2019) levels as an ongoing risk.

There has been progress in reducing inflationary pressures on a global basis, with the World Bank recently reflecting on how inflation has been cut to a three-year low.² Global inflation is projected to decrease to 3.5% in 2024 and further to 2.9% in 2025. However, this reduction is occurring more slowly than anticipated six months ago.³ Consequently, many central banks are likely to proceed with caution as they reduce interest rates.

Stalled economic growth across economies has resulted in close to a quarter of surveyed chief risk officers expecting debt to be highly likely to have a severe impact on their organization this year, the same proportion of respondents as last year, reflecting persistent concerns of a “high-debt, slow-growth world”. This continues to put “pressure on medium-term fiscal trends and financial stability”.⁴

While progress has been made since 2023, with some indicators receiving more optimism from chief risk officers, macroeconomic risks remain a short-term concern for chief risk officers as the top external risk that’s likely to have a severe impact on their organizations. The uncertain impact of elections, in particular the 5 November US presidential election, is contributing to economic policy uncertainty, which in turn may be amplifying recessionary forces.⁵

Cyber risk and criminal activity

Elevated cyber risk, heightened by geopolitical tensions and conflicts, is of concern to chief risk officers. In total, 71% of respondents expect **cyber risk and criminal activity** to severely impact organizations for the remainder of 2024. This risk has increased markedly from 14% of respondents citing the concern in mid-2023.

Cyber risk is a growing concern that is not unique to the chief risk officer community, as outlined in the International Monetary Fund’s (IMF) Global Financial Stability Report. The report states that “cyberattacks have more than doubled since the pandemic, with the size of losses from cyber incidents having more than quadrupled since 2017 to \$2.5 billion”.⁶

Chief risk officer respondents expressed concern about the likelihood of threat actor activity and the emergence of more sophisticated forms of technological disruption. The associated costs to businesses of such threats should not be understated: according to IBM, the global average cost of a data breach in 2023 had escalated to \$4.45 million, marking a 15% increase over the past three years across various industries.⁷ The challenges associated with achieving cyber resilience are compounded by ongoing geopolitical uncertainties, disparities in cybersecurity across supply chains and the swift progression of emerging technologies.

The cyberthreat landscape is constantly evolving and becoming more sophisticated. The rise of generative artificial intelligence (AI) has expedited the proliferation of cybercrimes

such as extortion, cyber espionage and cyberattacks by reducing the need for technical expertise previously required for such activities.⁸ Chief risk officers cited that the real challenge is ensuring that an organization's defences are sufficient against highly professional attacks, which are anticipated to be elevated for the rest of 2024 due to ongoing geopolitical tensions and conflict.

Regulatory changes, compliance and enforcement

Nearly two-thirds of chief risk officers (67%) noted that **regulatory changes, compliance and enforcement** (including in the areas of industrial, trade, data and tax policies) are a risk highly likely to have a severe impact on their organizations by the end of 2024. This has remained in the same position (third highest) as last year, but there has been a 17-percentage-point increase in respondents stating that this risk is likely to have a severe impact.

Political uncertainty is creating a regulatory environment that is becoming increasingly difficult for businesses to predict. 2024 has been the "super year" for elections, with 3.7 billion people in 72 countries having the opportunity to go to the polls.⁹

43% of surveyed chief risk officers deemed **elections and political regime change** to be a risk that is highly likely to have a severe impact on their organizations by the end of 2024. Changes in regulatory focus, public policies and the political agenda

(due to elections) are resulting in chief risk officers anticipating a highly volatile and unpredictable political environment for the remainder of 2024.

Respondents highlighted how radical change "in response to geopolitical shifts, technological advancements and shifts in consumer demands" creates a complex array of compliance requirements that businesses must navigate.¹⁰ Surveyed chief risk officers asserted that such complexity (stemming from new regulatory requirements in key areas ranging from AI to corporate sustainability reporting requirements) was increasing business costs and dampening entrepreneurial enthusiasm. This trend is expected to continue for the remainder of 2024.

For example, chief risk officers flagged the impact of the recently approved European Union (EU) AI Act as a short-term regulatory hindrance. The act represents a pioneering global initiative to establish a comprehensive legal framework for AI. It aims to ensure the trustworthiness of AI systems both within Europe and internationally. However, it is anticipated to raise initial costs for businesses implementing the regulations, increase administrative burdens, potentially place European companies at a competitive disadvantage compared to firms in regions with less stringent AI regulations and possibly restrict innovation.¹¹

The chief risk officers surveyed also noted that tariffs and sanctions impacting trade and global supply chains were causing concern.

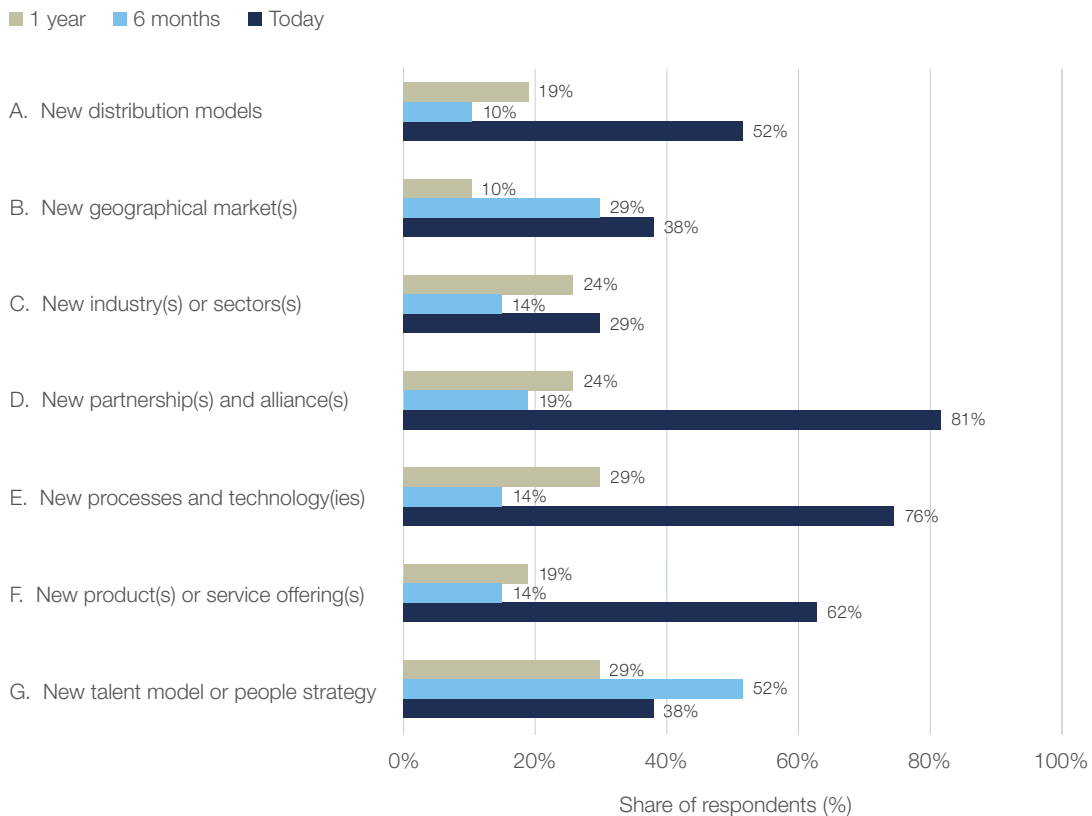
3. Spotlight: Rethinking the role of the risk function

This section details how chief risk officers can work with other senior executives to ensure that risk is seen as a strategic opportunity by examining the extent to which the risk function interacts with innovation and growth strategies. How can an organization’s risk mindset adapt to fuel growth while still mitigating the impact of risk?

Figure 4 details how often the risk function informs strategic decision-making in different areas, and Figure 5 shows the types of innovation or growth strategies being explored by organizations.

Figure 4. Risk function and strategic decision-making

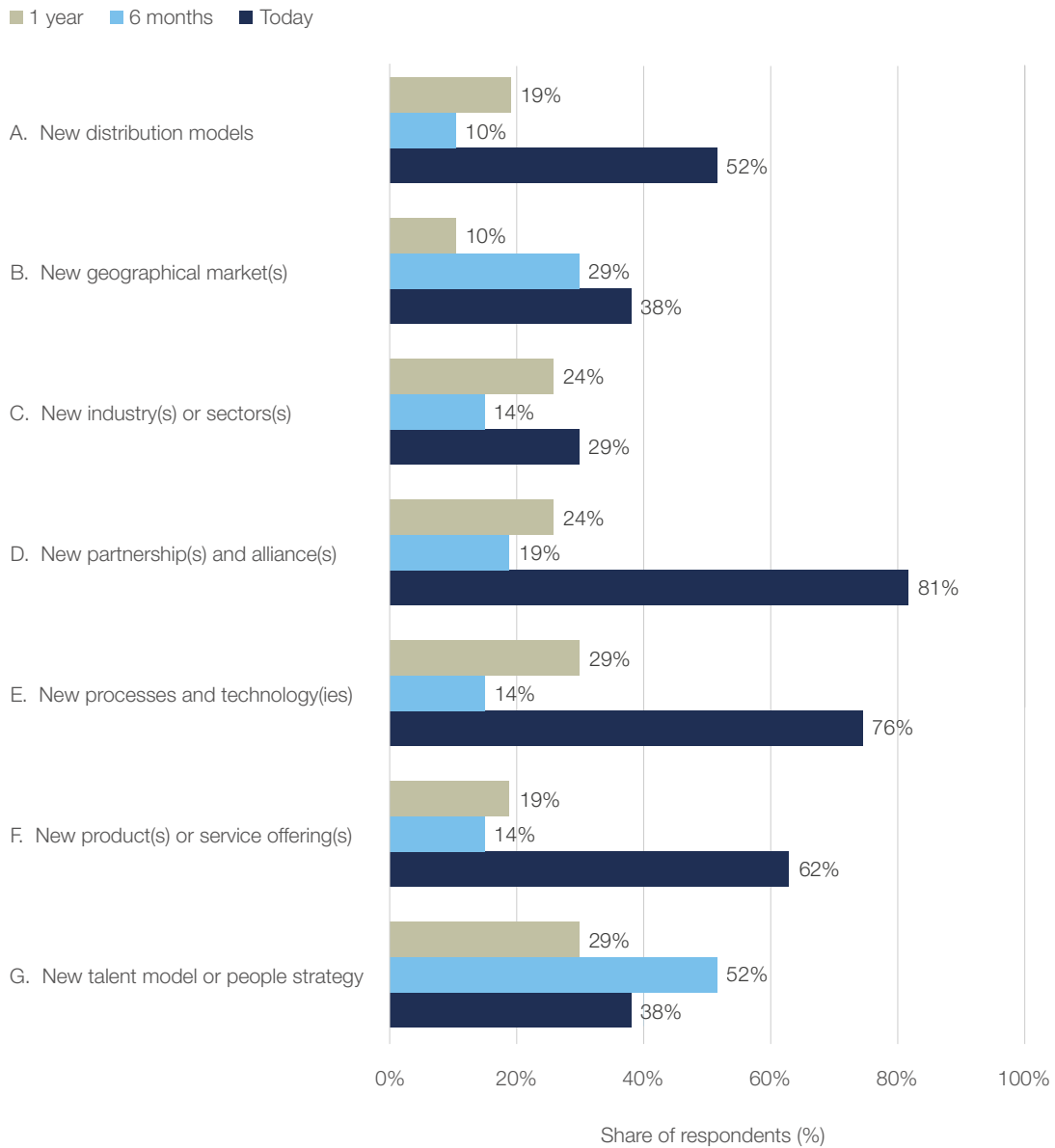
How often would the risk function in organizations in your industry or sector inform strategic decision-making with respect to:



Note: The numbers in the graphs may not add up to 100% because figures have been rounded up/down. n=21

Source: Chief Risk Officers Outlook Survey 2024.

Figure 5. What types of innovation and growth strategies are organizations in your industry or sector exploring?



Note: The numbers in the graphs may not add up to 100% because figures have been rounded up/down. n=21
Source: Chief Risk Officers Outlook Survey 2024.

Across the seven categories of innovation and growth strategies included in the survey, the chief risk officer respondents indicated an organizational preference towards exploring short-term (**today** or **six-month**) strategies for innovation and growth rather than a longer-term (**one-year**) strategy.

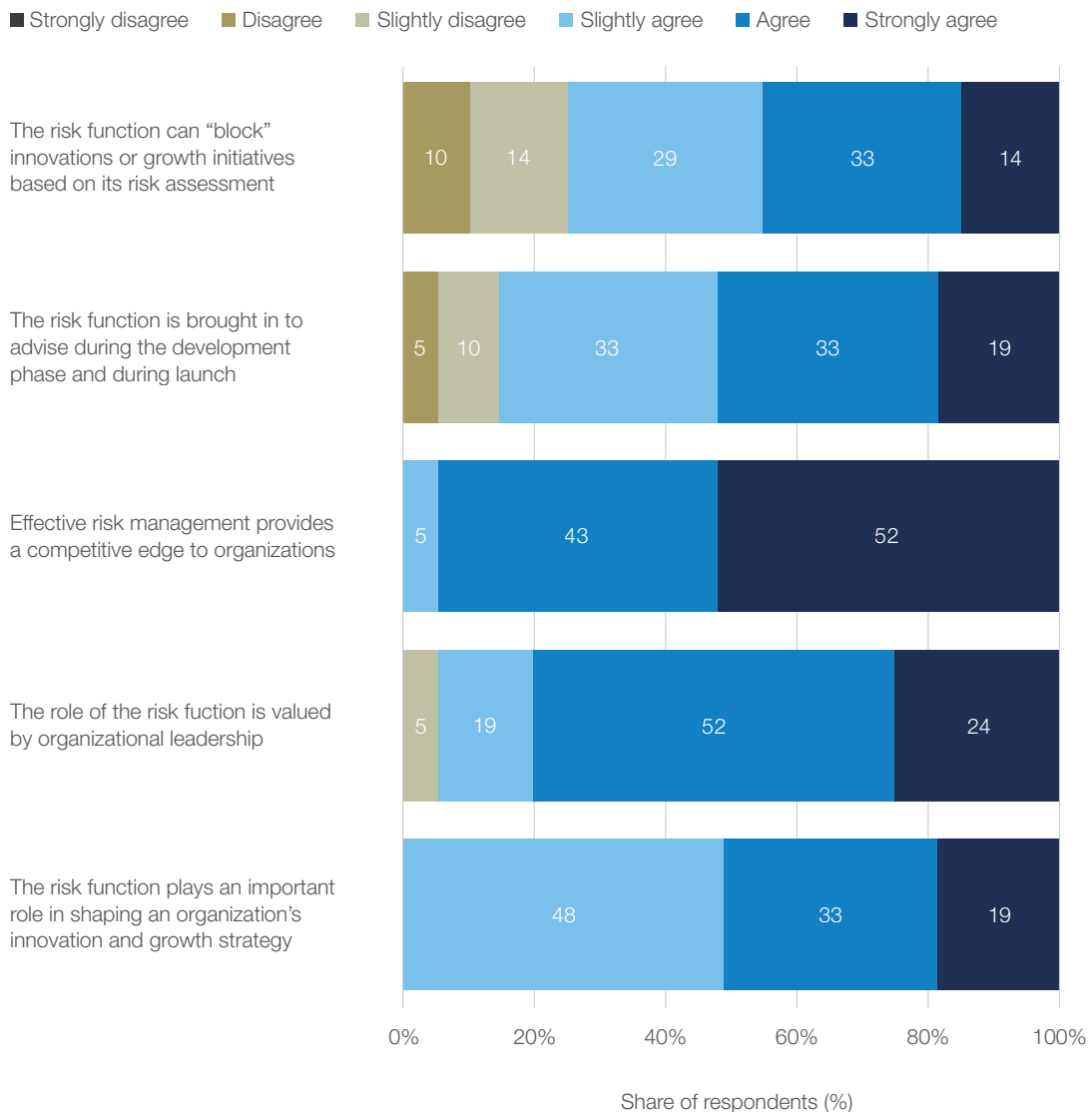
For example, when exploring **new partnerships or alliances**, 81% of chief risk officers surveyed responded that their organizations are focused on strategies for today, compared to only approximately one-quarter of respondents involved in one-year strategies. The data is similar for

new processes and technologies, with 76% of chief risk officers noting that their organizations are focused on the present. Chief risk officers are less involved in other types of innovation or growth strategies, such as **new geographical markets**.

While there are differences in the risk function's involvement in their organization's innovation and growth strategies, the risk functions are generally found to be relatively influential in this regard, as outlined in Figure 6.

Figure 6. The role of the risk function

Please indicate the extent to which you agree with the following statements, with respect to organizations in your industry or sector.



Note: The numbers in the graphs may not add up to 100% because figures have been rounded up/down. n=21

Source: Chief Risk Officers Outlook Survey 2024.

Risk management within organizations is seen as important for providing **“a competitive edge to organizations”**. A total of 52% of chief risk officer respondents “strongly agreed” and 43% “agreed”, indicating near unanimity. There are similarly positive findings for the statement **“the role of the risk function is valued by organizational leadership”**, with 76% of chief risk officer respondents noting that they either “strongly agree” or “agree”.

Nonetheless, chief risk officers are also concerned about the impact that the risk function can have on growth and innovation.

Overall, 47% of chief risk officers “agreed” or “strongly agreed” that **“the risk function can block innovations or growth initiatives based on its risk assessment”**.

The survey results show that risk is not universally seen as a strategic opportunity, indicating that more work is required within organizations to elevate the impact of the risk management function. While the risk function does already play an important role in shaping an organization’s innovation and growth strategy according to the survey results, this varies according to the type of strategy being implemented.

Contributors

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The views expressed in this briefing do not necessarily represent the views of the World Economic Forum nor those of its Members and Partners. This briefing is a contribution to the World Economic Forum's insight and interaction activities and is published to elicit further comments and debate.

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