Better risk management
The essential guide for fast-growth companies
Why risk management matters

Wherever you are on your journey to market leadership, risk management must be an integral part of day-to-day business activity. As your business grows, the risks you face will change and your processes for managing risk must evolve.

We have created this guide to help you engage with that challenge. It provides a headline summary of the top ten risks facing global organizations today and a series of key questions on risk management. These should help you to reflect on the quality of risk management in your business, and to identify areas where you might need to improve.

For a report on the leading risks facing global businesses today, or to discuss the issues raised in this guide, please contact one of our SGM Leaders listed below.

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“In these turbulent economic times, your ability to implement sound risk management has never been more important.”
Are you focused on the right risks?

Every year we publish a report on the top ten risks facing global businesses and some of the emerging threats. The purpose of our ranking is not to give you a list of the main risks to focus on, but to trigger a debate inside your boardroom. Are the risks on our global list similar to those you are monitoring? Are they your top risks? How might they affect you?

As you consider those questions, keep one point in mind. A commitment to sound risk management and a deeper awareness of the changing risk landscape will put you in a better position to deal with new threats and seize opportunities as they emerge.

### The top ten global risks

<table>
<thead>
<tr>
<th>Rank</th>
<th>Risk</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Regulation and compliance</td>
<td>The leading worry among businesses is that uncertainty about regulation will stall their decision-making and planning.</td>
</tr>
<tr>
<td>2</td>
<td>Access to credit</td>
<td>Rising levels of government debt may have a strong impact on the cost of credit in future.</td>
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<tr>
<td>3</td>
<td>Slow recovery or double-dip recession</td>
<td>There is no guarantee that global growth will be sustained if stimulus packages are withdrawn.</td>
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<tr>
<td>4</td>
<td>Managing talent</td>
<td>The global war for talent continues to pose a challenge in some sectors; the debate over compensation structures is ongoing.</td>
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<tr>
<td>5</td>
<td>Emerging markets</td>
<td>Emerging economies are likely to dominate global growth. Succeeding in these markets has become a strategic imperative.</td>
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<tr>
<td>6</td>
<td>Cost cutting</td>
<td>Commodity price inflation and pressure from low-cost competitors are growing challenges.</td>
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<tr>
<td>7</td>
<td>Non-traditional entrants</td>
<td>New market entrants are always a threat, even when capital costs are high and demand has stalled.</td>
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<tr>
<td>8</td>
<td>Radical greening</td>
<td>Companies need to stay ahead of shifting consumer preferences and government regulation.</td>
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<tr>
<td>9</td>
<td>Social acceptance and responsibility</td>
<td>With reputational threats and a political backlash against some sectors, companies need to tread carefully to maintain or rebuild the trust of the public.</td>
</tr>
<tr>
<td>10</td>
<td>Alliances and transactions</td>
<td>Merger and acquisition activity has fallen, but regulatory changes or the need for a “rescue” may force transactions.</td>
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Source: The Top 10 Risks for Business – A sector-wide view of the risks facing businesses across the globe
“Sound risk management is built on core principles that all fast-growth business leaders need to master.”

Your path to growth

As your business grows, investors and other stakeholders will want assurance that you understand the key risks facing your business and that you have these under control. Familiar risks may manifest themselves in different ways; you may encounter new kinds of risk for the first time. The way your business deals with risk will need to evolve.

The points to consider include:

- Are we building a risk management process that is part of every-day decision-making and can evolve as we grow?
- Do we continually review and improve our processes for identifying, prioritizing and managing risks?
- Are we balancing the need for detailed risk understanding and ownership with the need for a board-level overview of risk? Are our senior leaders getting bogged down?
- What are we telling investors and other stakeholders about our risk management practices? Do they understand how our excellence in this area informs better decision-making, enhances the value of our business, and sets us apart from our peers?
- How do we know that our efforts to identify, assess and manage risk are working? What kind of assurance do we have over the process, who provides it, and what is that assurance telling us?
- How well do we understand the immediate threats that could stop us achieving our short-term business goals, and have we thought enough about the range of risks that could harm our long-term plans?
Key points

As you evolve your approach to risk management, keep three points in mind:

- **Successful fast-growth businesses scan the environment to identify new threats as they emerge.** So take a broad view of risk issues. Understand that threats can emerge from any part of your enterprise, and from broader environmental and industry changes.

- **Don't limit your risk analysis to your own company.** Consider how new risks could affect your complex value chain of suppliers, customers, business partners and stakeholders.

- **Keep your board involved.** Delegate too many risk responsibilities and you might miss the early warning signs of disruptive change, limiting the scope for rapid, corrective action.

“A fast-growth business needs a flexible risk management strategy. It’s all about adapting to change.”

Our understanding of what makes fast-growth companies thrive tells us that the margin between success and failure is very slim: getting it right means getting your focus right.

As our Exceptional Enterprise diagnostic shows, your ability to move from growth company to market leader depends on your ability to successfully execute priority tasks in just six core business areas. Risk management is one of them.
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