

NOT PLANNING TO FAIL



ANDREW HARDING, FCMA, CGMA, CHIEF EXECUTIVE-MANAGEMENT ACCOUNTING AT THE ASSOCIATION OF INTERNATIONAL CERTIFIED PROFESSIONAL ACCOUNTANTS, REPRESENTING AICPA & CIMA,
WRITES ABOUT EFFECTIVE STRATEGIC RISK MANAGEMENT.

It is no secret that business leaders value certainty. Yet, in the past two years they have had to navigate significant disruption and uncertainty. From managing the impact of COVID-19 to mitigating inflation-related risks and enhancing supply chain resilience, it has been a bumpy ride. That turbulence is set to continue.

MANAGING THE RISK LANDSCAPE

As global organizations face an increasingly complex risk environment, a recent report from AICPA & CIMA and NC State's Enterprise Risk Management (ERM) Initiative—2022 Global State of Enterprise Risk Oversight: Managing the Rapidly Evolving Risk Landscape—indicates that a very significant proportion of organi-

while the figure was only 13 percent in Europe and the UK.

SEIZING NEW OPPORTUNITIES

Accounting and finance professionals have long focused on assessing and managing financial risks. However, the "perfect storm" of global public health, geopolitical and climate risks we are seeing today is pushing our profession to expand its remit and help our organizations improve their risk management capabilities.

On a deeper level, a paradigm shift in our approach to risk management is urgently needed. The very term "risk" often makes people feel uncomfortable, and although risk management primarily focuses on managing downside risk, it is important to appreciate that risk also has

sources to help you understand modern enterprise risk management. We highly encourage having a look at our comprehensive Risk Management Toolkit, which contains over 20 practical tools covering areas such as risk assessment, risk oversight and risk management practices. This toolkit will enable you and your organizations to enhance your understanding of emerging risks and establish robust risk processes to safeguard their future.

In addition, we have reviewed and updated some of our toolkits to enable accounting and finance professionals to confidently lead organizations on their risk journey, including:

- The CGMA Risk Heat Map and Communicating risks using a heat

porting and decision making. Earlier, at September's AICPA & CIMA Money Talks events in Poland and Romania we hosted Jennifer H. Elder, CPA/CFF, CGMA, owner and CEO of the Sustainable CFO, who delivered a keynote speech on risk management and business continuity in a VUCA world. The renowned coach and expert offered clear strategies for mitigating risks and planning for the unforeseen and cited her favorite quote, a variation of which is often attributed to British wartime Prime Minister Winston Churchill: "Failing to plan is planning to fail". Accounting and finance professionals have a great foundation of skills and competencies that can be applied to strategic risk

The key to success will be linking the thinking around risk management to what drives organizations' long-term success. The opportunity is there, the challenge will be grabbing hold of it.

zations have insufficient approaches to risk management and immature ERM processes. The report surveyed senior business leaders around the globe. It found that whilst 48 percent of UK and Europe-based respondents said COVID-19 had extensively changed the nature of the risks their organization faced, only 31 percent of that group believe their risk management oversight model is "mature" or "robust". All business leaders understand their organizations must take risks to generate returns. However, there was a noticeable variation between regions among respondents when asked if their risk management processes provided a competitive advantage. 40 percent of respondents in Asia and Australasia and 34 percent in Africa and the Middle East believe their risk oversight is providing an important competitive advantage,

an upside. This upside involves seizing new opportunities that can arise from disruption or uncertainty, such as the chance to enter new markets or create new product lines.

As core members of almost every business and non-governmental organization, accounting and finance professionals play a pivotal role in providing both non-financial and financial management information to enhance business performance, develop strategies, and influence decision-making. Having such a rich understanding of what drives organizations, and their future strategic initiatives, is the first step towards becoming an effective participant in broader, more strategic organization-wide risk management processes.

THE TOOLKITS

AICPA & CIMA have plenty of re-

map tool, which are designed to help with reviewing risks across the business and operating model.

- The CGMA Horizon Scanner and Strategic Score Card, which will help with scenario planning, addressing strategic issues and improving business strategy.
- The leadership guide for the risk leader and ERM insights for the finance risk leader, which are great resources to enhance and expand risk management skills and competencies.

PLANNING TO SUCCEED

A meeting with a group of senior CIMA members last month made me reflect on two features they have stressed as very important in their businesses—objectivity and professionalism which management accountants bring to re-

management. The key to success will be linking the thinking around risk management to what drives organizations' long-term success. The opportunity is there, the challenge will be grabbing hold of it.

FOLLOW THE LINKS TO FIND OUT MORE:

cgma.org/topics/governance-and-risk.html

cgma.org/resources/tools/risk-management-toolkit.html

insights.cgma.org/story/business-resilience-tools-for-preparing-to-re-open-businesses/page/1

cimaglobal.com/Research--Insight/CIMA-Strategic-Scorecard-full-report/