

Manufacturing Barometer™

Manufacturers embrace Enterprise Risk Management in a global market

In this special issue, PricewaterhouseCoopers asked our panel of industrial manufacturers about managing risks in the midst of a changing economic environment. For many senior executives, once tried-and-true risk management methods no longer provide the same level of confidence as management seeks ways to expand the business in a more complex and global economy. For example, as the global market continues to grow and the US economy appears to move toward a downturn, manufacturers increasingly find that they must anticipate and proactively address new risks arising from customer needs in emerging markets. Also, current production and inventory management techniques are causing manufacturers to rely more than ever on their supply chain at a time when risks in that supply chain are evolving and growing. Therefore, it is not surprising that more US-based industrial manufacturers report that they are embracing Enterprise Risk Management (ERM) programs as a way to help their organizations meet their priorities.

Most manufacturers recognize value

Sixty-five percent of those surveyed agree that their current ERM programs help their organization be more successful, while only 18 percent disagree. Additionally, two-thirds (67 percent) feel that a more efficiently run ERM program would help their organization remain competitive.

Higher-level management often oversees the program

ERM's rising status is also reflected in the fact that higher-level management is often responsible for overseeing it. Forty-seven percent of respondents cite the CFO as the primary executive responsible for their companies' ERM program and 13 percent cite the CEO. Moreover, forty percent of respondents indicated that their ERM program is transparent to the Board of Directors' Audit committee, the same proportion (40 percent) report their transparency as mixed and only 7 percent believe there is not much transparency in their program.

Yet there is still room for improvement

ERM is still a fairly recent phenomenon in the manufacturing industry and according to our panel there is still room for improvement. Only 33 percent of respondents reported they felt their ERM programs were very effective, 42 percent had mixed feelings and 13 percent rated their programs ineffective. Satisfaction with other risk management functions within organizations was at a similar level. Thirty percent of respondents said they were very satisfied, while 53 percent had mixed reviews and 5 percent were not satisfied. Interestingly, while the majority of respondents indicated dissatisfaction with their ERM program, 48 percent of respondents felt their ERM program would be highly rated if evaluated by a ratings agency.

Chart 1. Would you agree or disagree with the following statements? (N/A responses not shown.)



Enterprise Risk Management

Our view: Prioritizing ERM is a step towards competitive advantage

Forty-two percent of respondents indicated that ERM is becoming a high priority in their organizations. Conversely, 43 percent of respondents disagreed. This holistic approach to managing risk is in its early stages and companies are still working to make ERM more efficient and effective. Manufacturers who have not yet embraced ERM should take note that others are adopting this approach to risk as one of the necessary steps to ensure they maintain competitive advantage in the industry.

About the research

The Manufacturing Barometer is one in a series of quarterly business outlook surveys from PricewaterhouseCoopers. The survey provides a view on the 12-month outlook for revenue growth, new investments, new hiring plans, emerging business barriers and more. In addition to the business outlook, we hear from our panelists about special issues they face as the business climate changes. Results of the quarterly business outlook surveys and special issue surveys are available from www.barometersurveys.com. To receive our survey results by email, visit: www.barometersurveys.com/mail

Contacts

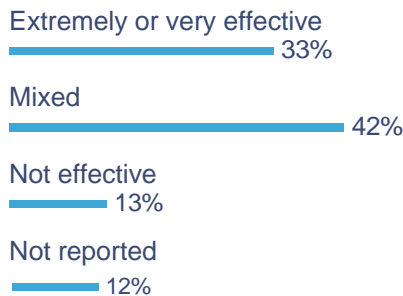
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Chart 2. Who is primarily responsible for your company's ERM program or risk management process? (Multiple answers allowed.)



Chart 3. How effective is your current enterprise risk management program?



Demographics

| | |
|--------------------------------|---|
| Who | Senior executives of US-based, industrial manufacturing organizations |
| Interview dates | August 1, 2007 to October 12, 2007 |
| | Industrial manufacturers (60) |
| Average number of employees | 7,150 |
| Average business unit revenues | \$2.94 billion |
| Average enterprise revenues | \$8.14 billion |
| Market capitalization | \$9.50 billion |

Methodology

PricewaterhouseCoopers' Manufacturing Barometer is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc. Our regular survey panel consists of senior executives from a geographically balanced sample of large companies in the United States. Ninety-five percent of the panelists hold titles such as president, CEO, CFO, VP of finance, treasurer, controller, internal audit director or other related title.

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