Bangkok Post	Section: Business/NATIONAL			
	Date: Tuesday 26 November 2013			
	Volume: -	No: -	Page: B2(Top Left)	
Bangkok Post Circulation: 70,000 Ad Rate: 1,500	Col.Inch: 56.65	Ad Value: 84,975	PRValue (x3): 254,925	Clip: Full Color
	Column: LEADING THE WAY: WINNING WITH RISK IN AN UNCERTAIN WORLD			

WINNING WITH RISK IN AN UNCERTAIN WORLD

Three things are clear from the PwC Global CEO Survey in 2013: the threats facing chief executive officers are coming from all directions; they're coming harder and faster; and they're coming in more subtly varied forms.

Confronted with this changing risk landscape, CEOs recognise that traditional risk management techniques aren't enough. And, in a stagnating global economy, they know they can't rely on a rising tide to come to the rescue.

The only way forward is to build organisations that can survive and thrive amid disorder: organisations that are agile and adaptable, able to cope with disruption and emerge stronger than before.

Two of the key findings from the 16th annual survey (see tables) show the extent to which CEOs anticipate changes at their companies over the next 12 months, and how stakeholders influence their business strategy.

ATTRACTING - AND KEEPING - MORE CUSTOMERS

Q: To what extent do you anticipate changes at your company over the next 12 months?

%	No change	Some Change	A major change	Don't know/refused
Customer growth/retention/loyalty strategies	17	51	17	1%
Strategies for managing talent	23	54	23	1%
Increase in technology investments	25	54	21	1%
Organisational structure	26	52	22	1%
Increase in R&D and innovation capacity	32	50	17	1%

MORE STAKEHOLDERS, MORE INFLUENCE

Q: Thinking about the range of stakeholders, to what extent do they have a significant influence on your business strategy?

%	Have little or no influence	Have some influence	Have significant influence	Don't know/refused
Customers and clients	3	17	80	1%
Industry competitors and peers	9	45	45	1%
Government and regulators	14	35	50	1%
Employees (including trade unions/work councils)	16	47	36	1%
Your supply chain partners	22	44	32	1%
Providers of capital (e.g. creditors and investors)	24	35	39	1%
Local communities	38	45	16	1%
The media	46	40	12	1%
Users of social media	49	40	10	1%

Source: PwC 16th Annual Global CEO Survey

Base: All respondents (1,330)

POSTgraphics

Three areas of risk: Doubts about the current returns on companies' investments in enterprise risk management (ERM) don't detract from ERM's wider value to the organisation. Neither do they reduce the critical role that ERM plays — and will continue to play — in monitoring and managing certain types of risk.

But the emergence of new risks, and the increasingly uncertain world in which today's companies operate, mean new elements need to be incorporated to expand and reinforce the established frameworks.

In most organisations, the existing approach has involved dividing risk into three main categories: financial, operational and strategic. In our experience, companies have generally done a good job of focusing on financial and operational risks. But they have often been less successful at linking these risk categories together, or understanding the interdependencies between them.

As well, many businesses have focused much less attention on strategic risk, largely because they regarded risk and strategy as separate from each other, rather than seeing risk-taking as a key element of value.

A blueprint for 'ERM-plus': As organisations seek to adapt to today's more uncertain and fast-changing risk landscape, current ERM-based risk management frameworks provide a sound base on which to build.

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Our view is that companies should evolve and expand their existing frameworks by innovating around them, and adding tools and techniques such as scenario modelling, predictive indicators and "reverse stress-testing".

Crucially, the ultimate responsibility for driving and embedding this change lies not with the risk function, but with the board of directors. Its role involves building on ERM to fuse strategy more closely with risk, debating and articulating a more explicit and holistic risk appetite, and investigating collaboration to foster wider resilience across systems.

With these elements in place, the board is well equipped to embed the right risk culture and behaviours, supported by an appropriate rewards structure. The resulting awareness and scrutiny of risk at all levels in every business decision will help to protect the organisation's reputation — and further enhance its resilience in an uncertain world.

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