

Emerging Risk Radar

Emerging risk considerations

July 2024



Emerging Risk Radar – July 2024

Given your strategic objectives, what do you see as the **emerging events or threats that could impact on your business**, either negatively or positively, and that you believe should be watched?

We received **237 survey responses** from board members across all industries/sectors. (over the last 6 months to July 2024).

Key risks in summary

New emerging risks in the form of **access to and availability of finance and funding** – impacting both private, public and not for profit sectors. A **more specific reference to homelessness** as a risk and the implications thereon for society.

9 emerging risks identified as more prevalent (1 less than 6 months previous), with the **impacts of artificial intelligence (AI)** and **geo-political instability** being identified more so as an emerging risk. The **physical effects of climate change** in the form of weather pattern shifts moving towards more prevalent.

The top 3 most prevalent emerging risks:

01

Changes in government priorities

New or changes in laws, policies and regulations affecting all businesses and individuals.

02

Geo-political instability

Reduced spending by consumers and reduction or changes in spending by government.

03

Continued economic slow-down

Reduced spending by consumers and reduction or changes in spending by government.

Emerging Risk Considerations

01

What do you see as the emerging risks?

02

How far will these emerging risks affect your business?

03

How far will these emerging risks play through into your existing strategic risks?

04

How far will they change the way you currently manage your strategic risks?

05

How will you respond?
How will you continue to review the emerging risks?

Emerging risk – why and what?

Why?

The board should establish and keep under review the risk and internal control framework and determine the nature and extent of the principal risks it is willing to take to achieve its strategic objectives.



What?

An emerging risk might be defined as:
“a new or unforeseen level of uncertainty driven by external events – the risk may still be forming, and it may not be clear as to the implications for the business, be these negative or positive.”

To be watchful of these emerging risks and how they might play through is an important element of preparedness and the business management of risk.




We have framed the emerging risks as:










- **Most prevalent:** risk themes that were more regularly identified in responses;
- **Keep monitoring:** to represent the risk themes that had a moderate prevalence in responses;
- **Worth watching:** those emerging risk themes that were less prevalent.

These risk themes are constantly evolving and shifting, and so are all worthy of consideration.

Emerging areas of risk – July 2024

Direction of travel

- Consistent 
- Increasing 
- Decreasing 

Most prevalent		
2.1	Changes in government priorities following change in UK Government resulting in new or changes in laws, policies and regulations affecting all businesses and individuals.	
2.2	Geo-political instability, including fall-out from and expansion of conflicts eg the Middle East, the US Elections, Ukraine / Russia, relationships with China, North Korea aggression, terror organisations etc and the influence on society.	
5.1	Continued economic slow-down. Reduced spending by consumers or reduced / changes in spending by government / public sector.	
7.1	Shortages in skills and experience - reduced investment in staff development, temporary contracts becoming more frequent, reduced pool of experienced / skilled staff available with regular movement between employers versus increasing lack of commitment to longer term career.	
4.2	Impact of artificial intelligence both positive and negative implications – still unknown and what this may mean for business (all sectors) i.e. governance, costs, staffing implications and wider aspects e.g. energy use and impact on the environment.	
4.1	Cyber-attacks increasing in frequency and complexity. Unable to sufficiently invest in defence – attacks more disabling, coupled with loss of data in serious targeted attacks.	
5.2	Reduced investment in research and development as businesses take a short-term approach and focus on business as usual (reducing agility and innovation) due to macro-economic conditions including geo-political challenges.	
6.1	Shifts in inflation, interest rates, salaries and wages, energy costs etc creating financial forecasting and planning uncertainties.	
3.1	Ability to effectively engage with and leverage off the sustainability agenda and ability to meet green agenda targets (coupled with potential for Green Washing).	

Emerging areas of risk – July 2024

Keep monitoring		
3.2	Increasing weather pattern shifts / extreme weather impacting the UK (and globally) – storms, floods, temperature changes impacting supplies and productivity.	▲
8.1	Tick box governance. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability creating a loss of trust.	✓
6.2	Availability of supplies leading to increased costs across all ranges of materials.	➤
6.3	NEW: Access to and availability of finance and funding – impacting both private, public and not for profit sectors, including cost of finance, funding changes.	New

Worth watching		
1.1	Availability and effectiveness of public services are reduced due to under investment, lack of resources and increased demand from the public.	➤
1.2	Increasing awareness of mental health and physical well-being issues impacting individuals stemming from post pandemic fall-out, increasing poverty etc. Impacting on public services and employers (as well as having potential duty of care implications).	➤
1.3	Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes.	▼
1.4	NEW: homelessness and poor conditions of housing e.g. damp and mould hazards. Access to affordable housing and the impact on individuals, families and society more widely.	New
8.2	Maintaining & building board member capacity and capability - fitness for future, including availability of non-executives for appointment and hold modern world insights.	▼

Emerging Risk Radar July 2024

Societal and Community

- 1.1 – Availability and effectiveness of public services are reduced.
- 1.2 – Increasing awareness of mental health and physical well-being issues.
- 1.3 – Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes.
- 1.4 – Homelessness and poor housing conditions.

Governance

- 8.1 – Tick box governance. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability and trust.
- 8.2 – Maintaining board member capacity and capability – fitness for future.

Economic and Financial

- 6.1 – Shifts in inflation, interest rates, salaries and wages, energy costs.
- 6.2 – Availability of supplies leading to increased costs across all ranges of materials.
- 6.3 – Access to and availability of finance and funding including cost of finance and funding changes

People Resources

- 7.1 – Shortages in skills and experience – reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career.

Political, Policy and Regulation

- 2.1 – Change in government priorities resulting in new or changes to laws, policies, regulations affecting businesses.
- 2.2 – Geo-political instability, including fall-out from and expansion of conflicts and the influence on society.

Environmental

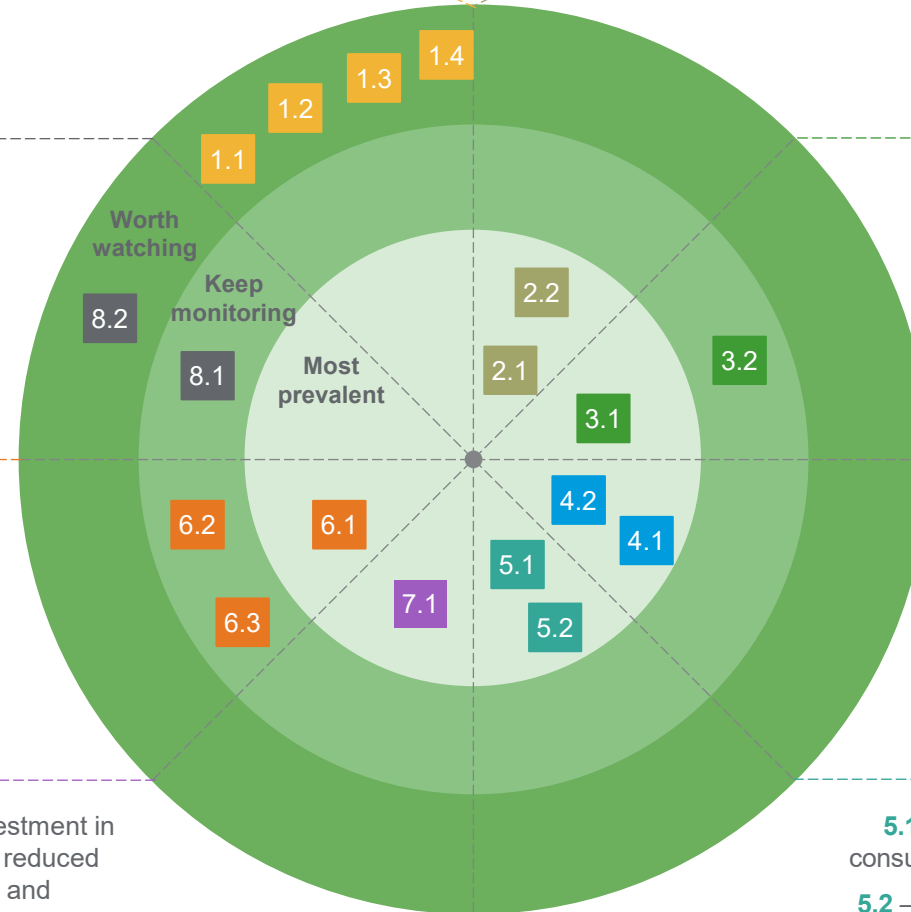
- 3.1 – Ability to effectively engage and leverage off the sustainability agenda.
- 3.2 – Increasing weather pattern shifts / extreme weather impacting the UK (and globally).

Technological

- 4.1 – Cyber-attacks increasing in frequency and complexity.
- 4.2 – Impact of artificial intelligence both positive and negative implications.

Commercial

- 5.1 – Continued economic slow-down. Reduced spending by consumers and reduced / changes in spending by Government.
- 5.2 – Reduced investment in research and development due to macro-economic conditions.



**Emerging Risk Radar
January 2024**
Previous edition comparison

Societal and Community

- 1.1 – Availability and effectiveness of public services are reduced.
- 1.2 – Increasing awareness of mental health and physical well-being issues.
- 1.3 – Societal tensions stemming from, by example, racial, ethnicity, diversity, wealth, age, and cultural extremes.

Political, Policy and Regulation

- 2.1 – Change in government and political instability.
- 2.2 – Geo-political instability, including fall-out from and expansion of conflicts and the influence on society.
- 2.3 – Ability to effectively respond to new legislation.
This forms part of 2.1 in July 2024 radar.

Governance

- 8.1 – Tick box governance – ‘Don’t walk the talk’. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability.
- 8.2 – Maintaining board member capacity and capability – fitness for future.

Environmental

- 3.1 – Engaging effectively with the Green Agenda including lack of finance and resources to commit to the environment and sustainability.
- 3.2 – Increasing weather pattern shifts / extreme weather impacting the UK (and globally).

Economic and Financial

- 6.1 – Shifts in inflation, interest rates, salaries and wages, energy costs.
- 6.2 – Availability of supplies leading to increased costs across all ranges of materials.

Technological

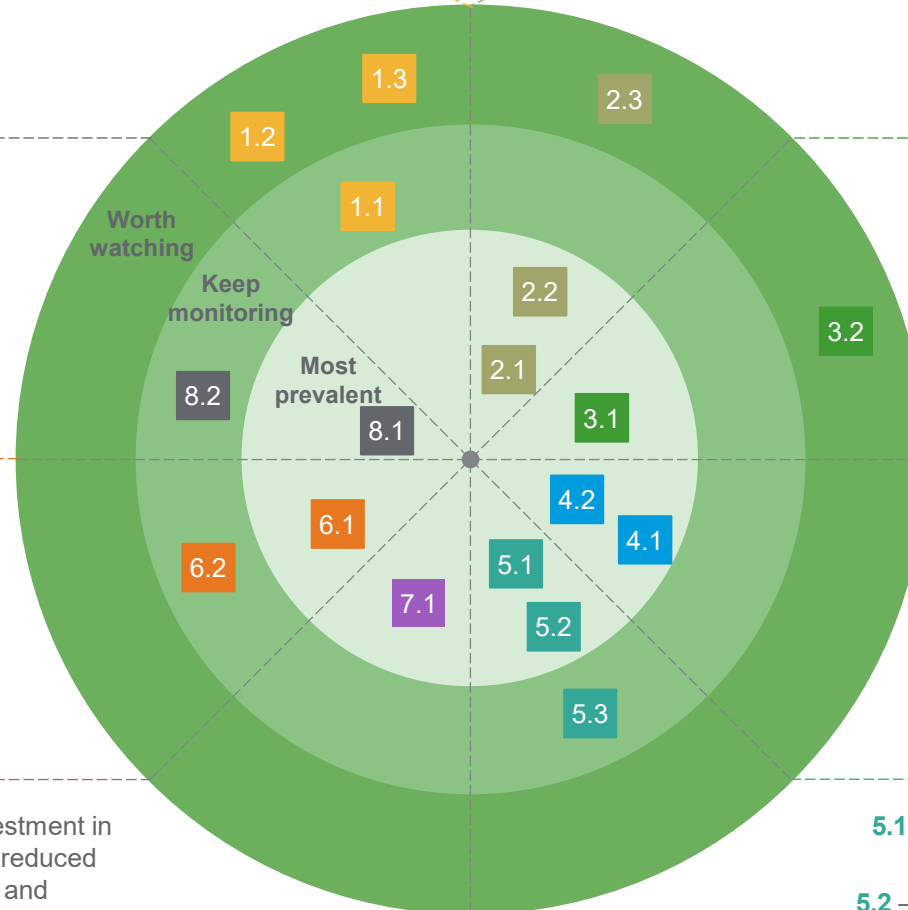
- 4.1 – Cyber-attacks increasing in frequency and complexity.
- 4.2 – Impact of artificial intelligence both positive and negative implications.

People Resources

- 7.1 – Shortages in skills and experience – reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career.

Commercial

- 5.1 – Economic slow-down resulting from reduction in income through reduced spending.
- 5.2 – Reduced investment in research and development due to macro-economic conditions.
- 5.3 – *Reduced competition in the market. Not specifically identified as an emerging risk in July 2024 radar.*



Further insights



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4risk: <https://youtu.be/12NyJhSNK3o>

4action: <https://youtu.be/xEuFSwzbzvw>

4policies: <https://youtu.be/ufXYt1juwhA>

4questionnaires: <https://youtu.be/NW17EoRJsjs>

The NED Network - for non-executive directors | RSM UK

We've created this network specifically for non-executive directors and those in interim roles, to enable networking, sharing of ideas and upskilling within the community.

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