

# Emerging Risk Radar

Emerging risk considerations

January 2024



# Emerging Risk Radar: January 2024

Given your strategic objectives, what emerging events or threats do you anticipate that could impact your business either negatively or positively and which you believe should warrant close monitoring? The emerging risk radar is based on 194 survey responses collected over the last six months from board members and professional advisors across all industries.

## Key emerging risks in summary:

- New emerging risks include reduced availability and access to public services due to demand and underinvestment, increasing shifts in weather patterns, and reduced business investment due to macro-economic conditions and geopolitical challenges.
- Many emerging risks are becoming more prevalent, such as shortages in people skills and experience, targeted cyber-attacks, and the impacts of artificial intelligence (AI).
- The top three most prevalent emerging risks being:
  - change in government and political instability;
  - shortages in people skills and experience available; and
  - economic slowdown resulting from reduction in income through reduced spending.

## Emerging risk considerations:

- What do you see as the emerging risks? To what extent do you believe these emerging risks will impact your business?
- How significantly will these emerging risks influence your existing strategic risks?
- How will you respond? How will you continue to monitor these emerging risks?

# Emerging Risk – Why? And What?

## Why?

The board should establish and continually review their risk and internal control framework. They should also 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 risks may still be forming, and the implications for the business, whether negative or positive, may not be clear.

Remaining alert of these emerging risks and how they might impact the business is a crucial element of preparedness and risk management. We have categorised the emerging risks as follows.

- Most prevalent these are the emerging risk themes that were most frequently identified in responses;
- Keep monitoring these represent the emerging risk themes that occupied a mid-range in prevalence in responses; and
- Worth watching these are the emerging risk themes that were less prevalent.

However, all of these emerging risk themes are constantly evolving, and thus, are all worthy of consideration.



# Emerging areas of risk – January 2024

Most prevalent	
2.1	Change in government and political instability leading to changes in policies affecting all businesses, sectors and individuals – potential for increasing government interference in business (corporate and not for profit). <b>(Priority #1)</b>
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 constant movement between employers (who pays the most) versus increasing lack of commitment to longer term career. <b>(Priority #2)</b>
5.1	Economic slow-down resulting from a reduction in income through reduced spending by consumers or reduced spending by the government / public sector. <b>(Priority #3)</b>
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 and geo-political challenges. <b>(Priority #4)</b>
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. <b>(Priority #4)</b>
4.2	Impact of artificial intelligence (both positive and negative implications) – still largely unknown what this may mean for business (all sectors) and employees. <b>(Priority #4)</b>
6.1	Shifts in inflation, interest rates, salaries, and energy costs creating financial forecasting and planning uncertainties. <b>(Priority #4)</b>
2.2	Geo-political instability, including fallout from and expansion of conflicts (eg the Middle East, the US elections, Ukraine / Russia, relationships with China, North Korea aggression, and terror organisations) and its influence on society. <b>(Priority #5)</b>
8.1	Tick box governance – ‘Don’t walk the talk’. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability. <b>(Priority #5)</b>
3.1	Engaging effectively with the green agenda including a lack of finance and resources to commit to the environment and sustainability. Ability to meet green agenda targets (coupled with potential for green washing). <b>(Priority #6)</b>

# Emerging areas of risk – January 2024

Keep monitoring	
1.1	Availability and effectiveness of public services are reduced due to underinvestment, lack of resources, and increased public demand. <b>(Priority #7)</b>
5.3	Reduced competition in the market – several dominant players creating fewer suppliers and buyers. <b>(Priority #7)</b>
6.2	Availability of supplies leading to increased costs across all ranges of materials. <b>(Priority #7)</b>
8.2	Maintaining board member capacity and capability - fitness for the future, including the availability of non-executives for appointment who hold modern world insights. <b>(Priority #8)</b>
Worth watching	
2.3	Ability to respond effectively to new legislation - legislation and regulation being rushed, not thought through, and used by the government to create change (with out-of-date regulators). <b>(Priority #9)</b>
1.3	Societal tensions stemming from racial, ethnicity, diversity, wealth, age, and cultural extremes. <b>(Priority #9)</b>
1.2	Increasing awareness of mental health and physical well-being issues stemming from the fallout of the pandemic, increasing poverty, and issues related to the access to and quality of housing, such as damp and mould hazards. These issues are impacting public services and employers. <b>(Priority #10)</b>
3.2	Increasing shifts in weather patterns and extreme weather impacting the UK (and globally) – storms, floods, and temperature changes affecting supplies and productivity. <b>(Priority #11)</b>

# Emerging Risk Radar January 2024

## Societal and Community

- 1.1 Availability and effectiveness of public services are reduced. **(Priority #7)**
- 1.2 Increasing awareness of mental health and physical well-being issues. **(Priority #10)**
- 1.3 Societal tensions stemming from, racial, ethnicity, diversity, wealth, age, and cultural extremes. **(Priority #9)**

## 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. **(Priority #5)**
- 8.2 Maintaining board member capacity and capability – fitness for the future. **(Priority #8)**

## Economic and Financial

- 6.1 Shifts in inflation, interest rates, salaries and energy costs. **(Priority #4)**
- 6.2 Availability of supplies leading to increased costs across all ranges of materials. **(Priority #7)**

## 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. **(Priority #2)**

## Political, Policy and Regulation

- 2.1 Change in government and political instability. **(Priority #1)**
- 2.2 Geo-political instability, including fallout from and expansion of conflicts and its influence on society. **(Priority #5)**
- 2.3 Ability to respond effectively to new legislation. **(Priority #9)**

## Environmental

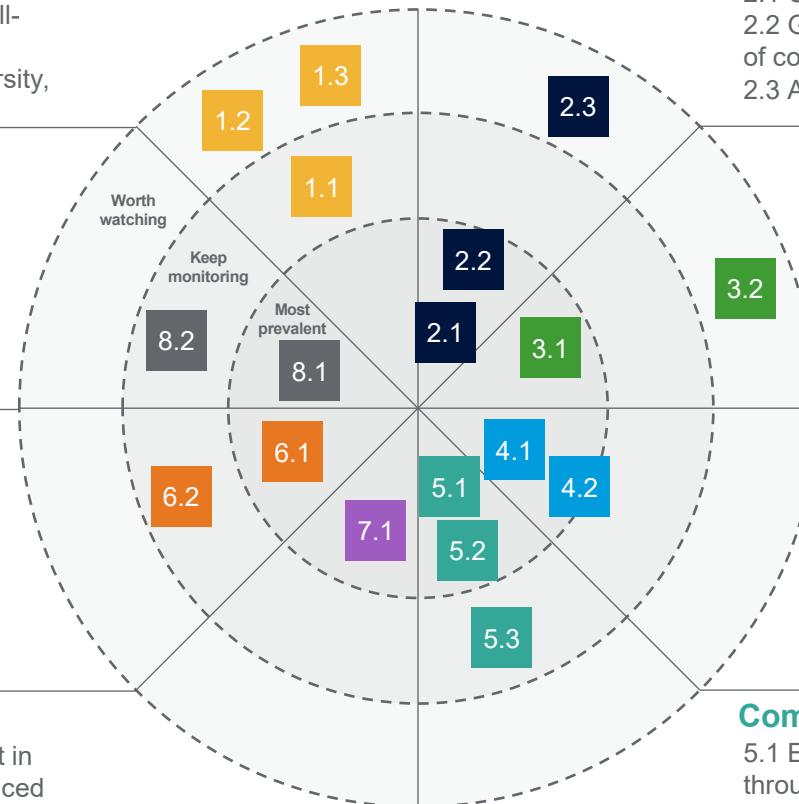
- 3.1 Engaging effectively with the green agenda including a lack of finance and resources to commit to the environment and sustainability. **(Priority #6)**
- 3.2 Increasing shifts in weather patterns / extreme weather impacting the UK (and globally). **(Priority #11)**

## Technological

- 4.1 Cyber-attacks increasing in frequency and complexity. **(Priority #4)**
- 4.2 Impact of artificial intelligence both positive and negative implications. **(Priority #4)**

## Commercial

- 5.1 Economic slowdown resulting from a reduction in income through reduced spending. **(Priority #3)**
- 5.2 Reduced investment in research and development due to macro-economic conditions. **(Priority #4)**
- 5.3 Reduced competition in the market. **(Priority #7)**



# Risk movement and direction of travel

We identify the emerging risk themes where there has been movement since the summer of 2023.

2.1	Change in government and political instability. <b>(Priority #1)</b>	→
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. <b>(Priority #2)</b>	↑
5.1	Economic slowdown resulting from a reduction in income through reduced spending. <b>(Priority #3)</b>	↑
5.2	Reduced investment in research and development due to macro-economic conditions. <b>(Priority #4)</b>	New
4.1	Cyber-attacks increasing in frequency and complexity. <b>(Priority #4)</b>	↑
4.2	Impact of artificial intelligence (both positive and negative implications). <b>(Priority #4)</b>	↑
6.1	Shifts in inflation, interest rates, salaries, and energy costs. <b>(Priority #4)</b>	↓
2.2	Geo-political instability, including fallout from and expansion of conflicts and its influence on society. <b>(Priority #5)</b>	→
8.1	Tick box governance – lack of transparency in decision making, conflicts of interest justified, and loss of accountability. <b>(Priority #5)</b>	↑
3.1	Engaging effectively with the green agenda including a lack of finance and resources to commit to the environment and sustainability. <b>(Priority #6)</b>	↑

1.1	Availability and effectiveness of public services are reduced. <b>(Priority #7)</b>	New
5.3	Reduced competition in the market. <b>(Priority #7)</b>	→
6.2	Availability of supplies leading to increased costs across all ranges of materials. <b>(Priority #7)</b>	↓
8.2	Maintaining board member capacity and capability – fitness for the future. <b>(Priority #8)</b>	New
2.3	Ability to respond effectively to new legislation. <b>(Priority #9)</b>	→
1.3	Societal tensions stemming from racial, ethnicity, diversity, wealth, age, and cultural extremes <b>(Priority #9)</b>	↓
1.2	Increasing awareness of mental health and physical well-being issues. <b>(Priority #10)</b>	→
3.2	Increasing shifts in weather patterns / extreme weather impacting the UK (and globally). <b>(Priority #11)</b>	New

## Direction of travel

- Consistent
- ↑ Increasing
- ↓ Decreasing

# Emerging Risk Radar January 2024

## Societal and Community

- 1.1 Societal changes, including increasing poverty, crime, influencers, and extremes are creating new stakeholder pressures. **(Priority #6)**
- 1.2 The possibility of a further pandemic and its implications, as well as the knock-on effects from the Covid-19 pandemic. **(Priority #14)**
- 1.3 Resilience of individuals, ensuring ongoing physical and mental wellbeing, **(Priority #15)**

## Governance

- 8.1 Governance status undermined by behaviours, actions, comments or decisions made which may not be appropriate / transparent associated with board members, business leaders, staff and individuals or by associated organisations. **(Priority #11)**

## Economic and Financial

- 6.1 Inflation and effects of increasing costs of services on business and individuals. **(Priority #2)**
- 6.2 Reductions in funding and likely less spending by UK government impacting business. **(Priority #3)**
- 6.3 Fuel and energy crisis – access to and availability of energy and increasing costs **(Priority #12)**

## People Resources

- 7.1 Labour availability (experienced and skilled) – being able to recruit, develop, and retain the right staff. **(Priority #4)**

## Political, Policy and Regulation

- 2.1 Political instability resulting in change in political priorities, policy changes, and reform. **(Priority #1)**
- 2.2 Geo-political tensions, including fallout from the war in Ukraine and splinter territory conflicts in the same region (central and eastern Europe), coupled with potential for escalation of conflicts involving China and North Korea. **(Priority #5)**
- 2.3 Increasing levels of legislation and regulation affecting businesses. **(Priority #13)**

## Environmental

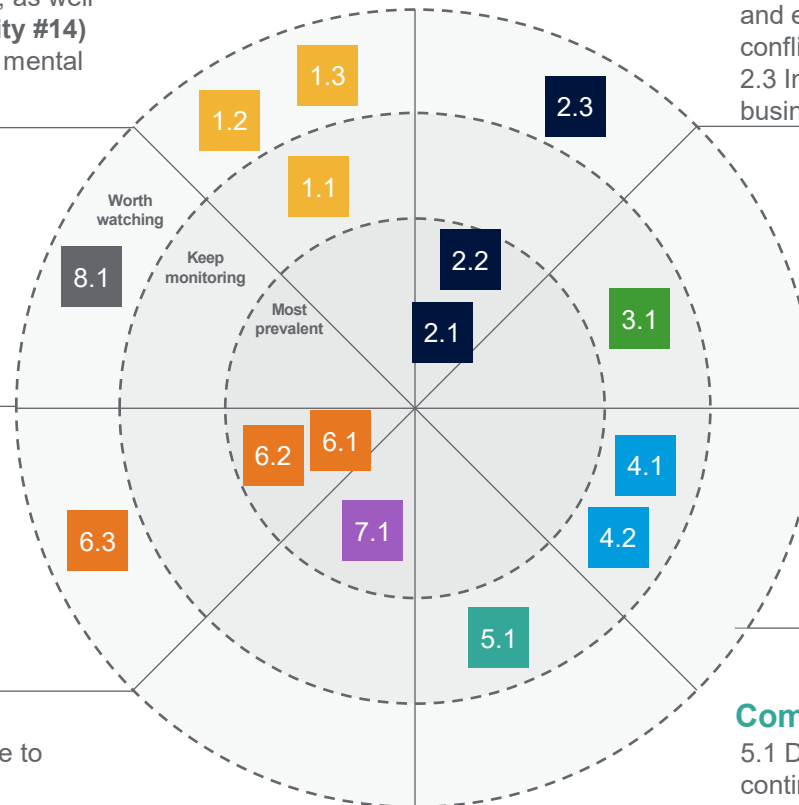
- 3.1 Climate change and sustainability implications, both positive (eg opportunity to fully embrace green agenda) and negative (eg greenwashing and costs of meeting targets). **(Priority #9)**

## Technological

- 4.1 Cyber-attacks – increasingly more aggressive and more frequent. **(Priority #7)**
- 4.2 Keeping up and taking advantage of advances in technology (versus cost of investment) including use of artificial intelligence. **(Priority #8)**

## Commercial

- 5.1 Deterioration in supply chains – challenges in ensuring continuity and quality in an extended supply chain. **(Priority #10)**





# Further information

## Insight4GRC™

RSM's Governance, Risk Management and Compliance Digital Solution.

4risk:

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

4action:

<https://youtu.be/xEuFSwzbzvw>

4policies:

<https://youtu.be/ufXYt1juwhA>

4questionnaires:

<https://youtu.be/NW17EoRJsjs>

[Boredom in the Boardroom: The RSM NED Network | RSM UK](#)



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