2019 ENTERPRISE RISK MANAGEMENT BENCHMARK SURVEY SOUTH AFRICA
As the preeminent organization dedicated to educating, engaging and advocating for the global risk community, RIMS, the risk management society™, is a not-for-profit organization representing more than 3,500 corporate, industrial, service, nonprofit, charitable and government entities throughout the world. RIMS has a membership of approximately 10,000 risk practitioners who are located in more than 60 countries. For more information about the Society’s world-leading risk management content, networking, professional development and certification opportunities, visit www.RIMS.org.

The Institute of Risk Management South Africa (IRMSA) is the leading source of information and networking opportunities within Africa’s risk management community, with members from a wide range of corporations both from the private and public sector. Our non-profit organisation represents individuals and companies committed to the enhancement of the Risk Management discipline.

IRMSA has been recognised by the South African Qualifications Authority (SAQA) as the Professional Body for Risk Management in South Africa, and is therefore the institute of choice for risk professionals and practitioners in Southern Africa, dedicated to the advancement of the risk management profession and accreditation, through research, promotion, education, upliftment, training, guidance and strong relationships with other Institutes or Associations.

IRMSA and RIMS believe that collaboration between our respective risk management professional associations can lead to stronger risk management practices in meeting stakeholder expectations and advancing risk management as a profession. IRMSA and RIMS make a powerful team as we collaborate on this report and other initiatives by leveraging one another’s resources, thought leadership, education, certification and engagement experiences to equip risk management professionals globally to succeed in an evolving environment.
When the United States’ economy sneezes, people say that the rest of the world catches a cold. During the financial crisis of 2008, it seemed as though the world had pneumonia and its financial systems were on life support. Those events placed enterprise risk management (ERM) simultaneously under a microscope and in the spotlight. At the time, pundits were laying the blame for the financial crisis squarely on failed risk management practices.

In South Africa, ERM programs were tested and withstood the tumult, and economic annualized growth rebounded in the second half of 2009 (see graph).

Is this rebound attributable solely to robust ERM practices in South Africa? Likely not, but risk management does form a crucial part of South African corporate governance, mandated for publicly traded companies by the King Code of Corporate Governance and the Companies Act. First published in 1994, the most recent version, the King IV Report, became effective in 2017.

Regulatory requirements motivated nearly half of the South African respondents to implement and/or expand their ERM programs. However, that alone does not explain the significant number of organizations adopting ERM practices (see Figure 1). A secondary driver of these actions cited by South African respondents was governance. By comparison, respondents cited board directives as the primary driver, followed by regulatory requirements. The importance and consistency of regulations—and the influence regulations have on board initiatives—continue to drive adoption of ERM practices globally, particularly for financial institutions.

The level of risk management integration may have played a part in South Africa’s economic rebound. Nearly 90% of the South African respondents report either having fully or partially integrated their organization’s ERM program and 45% report having a fully integrated program. This is a significant difference when compared with 73% reporting a partial or full level of integration in the 2017 ERM Benchmark Survey, and only 24% having a fully integrated program.

Clearly, a majority of survey respondents are finding ways to integrate risk management with strategy, with more than half of South African and 2017 Benchmark Survey respondents saying that ERM is being used to inform and influence strategy. Seventy-seven percent of the South African respondents report that strategic planning is included in ERM activity planning and execution compared to 65% of the 2017 respondents.

Responses regarding the top three executive management expectations for ERM delivery in South Africa include: 1) reasonable assurance that major risks are identified, prioritized, managed and monitored; 2) minimized operational surprises and reduced losses; and 3) improved certainty in delivering organizational business plans. These expectations closely align with responses regarding primary and secondary value gained from ERM programs, including increasing certainty in meeting strategic and operational objectives, avoiding and/or mitigating risk, and compliance with regulatory and legal requirements.

Respondents in both surveys rate the effectiveness of their organizations similarly, with the most effective activity being “taking action on identified important and relevant risks” (3.5 and 3.8 on a scale of 1-5 with 5 being highly effective). At the other end of the spectrum, South African and 2017 survey respondents both rated “Clearly articulating risk appetite and tolerances” neither effective nor ineffective (2.9 and 3.1) in spite of respondents stating that most have developed such statements.

Respondents point to a need for improvement in a number of elements of their organizations’ risk management practices. Approximately half of the South African respondents cited the following areas of dissatisfaction: organizational performance management tied to management’s effectiveness in handling risk issues (56%), risk intelligence capabilities for uncovering risks (52%), adoption rate of ERM practices throughout the organization (48%) and alignment of risk management with strategic decision-making (46%). Similar to responses from the 2017 survey respondents, more than half are satisfied with reporting to the board on risk issues (71%) and understanding of risk issues among business units (55%). A majority of respondents indicated a desire to mature to a higher level of every attribute of the RIMS Risk Maturity Model™, most notably in performance management, root cause discipline and business resiliency and sustainability.

The results of these two surveys demonstrate that adoption of ERM is well beyond the tipping point. Based on our survey results, South Africa may rightly claim to be one of the most risk-aware countries in the world. RIMS and IRMSA hope you find the full results of this report to be informative for your own efforts.

Findings from the RIMS 2017 ERM Benchmark Survey are used throughout this report as a comparison, which is included to be read in conjunction with this report. While global in scope, more than 90% of the 2017 ERM Benchmark respondents are based in North America.
HIGHLIGHTS FROM SOUTH AFRICA

Figure 1. (See question 1 results on page 4 for definitions.)

- **88%**: report either having fully or partially integrated ERM programs in operation.
- **100%**: of financial service respondents have fully or partially integrated ERM programs.
- **45%**: report having a fully integrated ERM program.

- **53%**: said that ERM is being used to inform and influence strategy.
- **24%**: do not have a risk appetite and risk tolerance statements.

- **84%**: said the risk management department is primarily responsible for ERM.
- **70%**: said their ERM reports/outputs are reviewed at the board level by the audit committee.
- **81%**: of risk executives report to their board (committees) on a quarterly basis.

- **45%**: of all companies surveyed use ISO 31000 as their guide.
- **32%**: are using COSO.
- **4%**: said their program does not follow a particular standard or framework.
...said the primary value of ERM is increasing certainty in meeting strategic and operational objectives.

37%

...said that avoiding/reducing risk is their program’s primary benefit.

22%

...said regulatory requirements motivated the implementation of their ERM programs.

45%

...said the implementation was ordered by the board.

31%

Top three things executive management expects ERM to deliver:

» Reasonable assurance that major risks are identified.

» Minimized operational surprises and reduced losses.

» Improved certainty in delivering organization’s business plans.

We asked those who do not have an enterprise risk management program why that is so. Here are some responses:

ERM has been downgraded as an extension of Internal Audit and Compliance. There is no need for an ERM function if it has become a tool for data capturing.

Still looking to improve maturity.

There is still a lot improvement needed in terms of integration of ERM and operational tactics. The risk management function is undertaking training and awareness amongst others to address the gaps.

[Am reporting to another manager who] knows nothing about risk management. Need assistance explaining to my organization the need for a separate risk management unit.

To get the full survey results, contact IRMSA on communications@irmsa.org.za to purchase your copy!