

2020 AFP® RISK SURVEY REPORT

KEY HIGHLIGHTS

This summary report includes highlights from the comprehensive 2020 AFP Risk Survey Report. The complete report comprising all findings and detailed analysis is exclusively available to AFP members. [Learn more about AFP membership.](#)

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INSIGHTS



- Cybersecurity Risks Most Challenging to Manage Currently, and Will Be So Three Years Hence
- Risk Managers Anticipate Strategic, Financial and Political Risks Will Have Greatest Impact on Organization's Earnings
- Organizations' Exposure to Uncertainty in Earnings on a Continual Increase
- Forecasting Risk a Greater Challenge in 2009
- Organizations Are Well-Prepared to Manage Risks
- Concerns About Upcoming Uncertainty
- Treasury Professionals Are Preparing to Tackle Economic Uncertainty
- Treasury Professionals Are Well-Equipped to Manage Risk Today, Not So a Decade Ago
- Relevant and Timely Information Are Significant Constraints When Forecasting Risk
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The risk landscape has evolved over the past decade and it is evident that risks impacting organizations have changed significantly. In 2009, the U.S. economy was limping into recovery after a brutal recession. Indeed, the recession of 2008 forced many organizations to render some of their workforce redundant, cut back on production and, in the most severe cases, even go under. Financial leaders were struggling to get their businesses to return to normalcy. Managing the risks that arose as a consequence of the recession was key for them. In the 2012 AFP Risk Survey, 72 percent of respondents cited financial risks as an area of concern, reflecting financial leaders' continued anxiety post-recession. In last year's 2019 AFP Risk Report—which reported data for 2018—39 percent of respondents indicated they were worried about financial risks—a significant decline from seven years earlier. Also in the 2012 report, 62 percent of financial professionals reported that their organizations were exposed to greater uncertainty than they were seven years earlier. This, again, suggests that organizations at that time were not safeguarded significantly against risks; in 2019, 39 percent of respondents indicated their organizations were exposed to greater earnings uncertainty than in 2014. It appears organizations made substantial progress in planning for some risks.

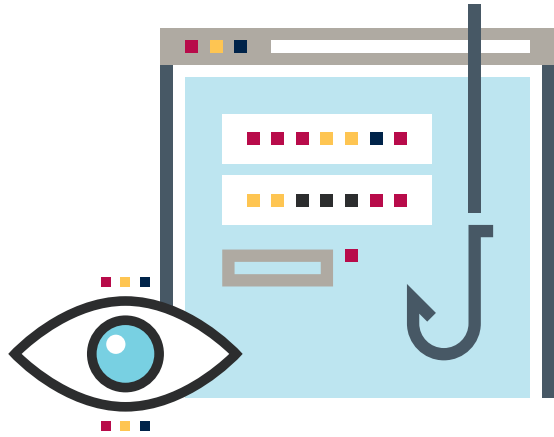
There have been frequent occurrences of cyberbreaches at organizations. In a survey conducted at AFP's 2019 Annual Conference, 88 percent of corporate practitioners reported that their organizations had been victims of actual or attempted cyberattacks in the previous 18 months (2019 AFP Cyberrisk Report). Data from this year's risk survey substantiate this finding, as 53 percent of financial professionals indicate cyberrisk is challenging to manage. Interestingly, only 12 percent of this group considered cyberrisk difficult to manage in 2009. Technology advancements such as the proliferation of end-user channels and devices have created more points of compromise, extensive use of e-commerce

and internet banking, and availability of information via social media can result in greater exposure to fraud and more vulnerability to cybercrime, thus making those committing cybercrimes more successful. Organizations are having to invest in resources to keep these criminals at bay. While a cyberattack may not result in severe financial losses, the loss of confidential company data and the damage to corporate reputations with customers and suppliers can be detrimental too.

Against this shifting risk landscape, The Association of Financial Professionals® (AFP) 2020 AFP Risk Survey was conducted to gauge current perceptions of the risk environment and determine the risks that are challenging

to manage. It also examines shifting risk priorities over time, the extent to which organizations are prepared to handle volatility/uncertainty and answers the question of whether or not financial professionals are better equipped with data and analytical tools currently than they were before the recession. The survey looks at how the last 10 years have affected or changed the way treasury and finance professionals prepare for and manage risk.

The 2020 AFP Risk Survey is once again supported by Marsh & McLennan. AFP thanks Marsh & McLennan for its support of the survey and for sharing insights into current risk issues. The Research Department at AFP is solely responsible for the content of this report.



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Over half (53 percent) of treasury professionals report that cybersecurity risk is currently the most challenging risk to manage. A majority of survey respondents (51 percent) believes that three years from now the task of managing cybersecurity risks will continue to be the most complex risk to manage. Cybersecurity risks are an example of the evolving risk landscape as only 12 percent of survey respondents noted cyberrisks were difficult to control a decade ago.

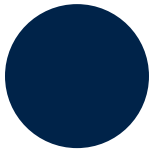


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Survey results show that the risks which will have the greatest impact on earnings in the next three years are strategic risks (cited by 40 percent of respondents) and financial risks (35 percent). These are followed by political risks and regulatory uncertainty within the U.S. (33 percent) and macroeconomic risks (31 percent).

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Survey findings indicate that equipping their teams to manage and forecast risks was a low priority for organizations a decade ago. Only 14 percent of



KEY FINDING 1:

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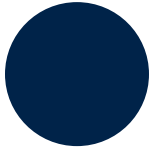
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A key responsibility of financial professionals is managing risk. This is a challenging task as it involves anticipating, preventing and mitigating impacts should the risk manifest.

The level of difficulty in controlling risks shifts with time. Risks that were difficult to identify or manage a decade ago may no longer be significant concerns; similarly, risks that are top of mind for risk managers currently may have been less of an issue in the past.

Over half (53 percent) of treasury professionals report that cybersecurity risk is currently the most challenging risk to manage. This result is similar to the 51 percent of survey respondents in the 2019 AFP *Risk Report* who reported cybersecurity risks were of significant concern. Over half (53 percent) of treasury professionals report that cybersecurity risk is currently the most challenging risk to manage. This result is similar to the 51 percent of survey respondents in the 2019 AFP *Risk Report* who reported cybersecurity risks were of significant concern.

Risks That Were/Are/Will Be the Most Challenging to Manage



KEY FINDING 2:

OPERATIONAL RISK FINANCIAL RISK

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KEY FINDING 3:

DETECT AND MANAGE RISK

EMERGING

The types of risks and their levels of intensity have shifted over the past decade—as has the focus on risk management. As reported earlier, risks that were of low consequence a decade ago are now a high priority at organizations. Teams managing risks need to be equipped so they are able to detect, prevent and control the adverse effects of various risks on their organizations.

Survey findings signal that equipping their teams to manage and forecast risks was a low priority for organizations a decade ago. Only 14 percent of respondents reported they were well equipped to manage and forecast risk in 2009. This figure increased to 28 percent in 2014. Currently, 61 percent of treasury professionals believe they are well equipped to forecast and manage risk. Survey respondents understand that the impact of risks on their

organizations is not abating; it is “the new normal.” Notably, 74 percent of respondents anticipate they will be well equipped to forecast and manage risk in 2022.

Obtaining data has become more cost effective, as has the ability to increase focus on more strategic value drivers. Computing power has increased exponentially even as its cost has decreased over the last 10 years. Lower costs have provided the capacity to capture better insight into operations—as well as better metrics to measure risk, quantify it and ultimately mitigate it. Going forward this trend will likely continue as the cost of technology decreases while the output of the technology increases. However, organizations are likely to continue to face challenges on how to effectively analyze and leverage the

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Findings from this 2020 AFP Risk Report indicate that risk management continues to be a priority. The general sentiment among financial professionals is that their organizations are prepared to manage risks. Companies are actively looking ahead and appropriately concerned about upcoming economic uncertainty and preparing for any volatility that might arise. Survey respondents agree that their organizations are preparing treasury and finance teams to face risks and equipping them with the tools needed to efficiently manage those risks. After the recession of 2008, financial leaders are not taking any chances; they are cautious and planning for the unexpected. The vulnerability of organizations a decade ago resulted in them being seriously affected by the recession. In addition, organizations are structured to effectively assess risk, either by creating a separate function solely responsible for assessing risk or by assigning individual functions with the task of assessing risk.

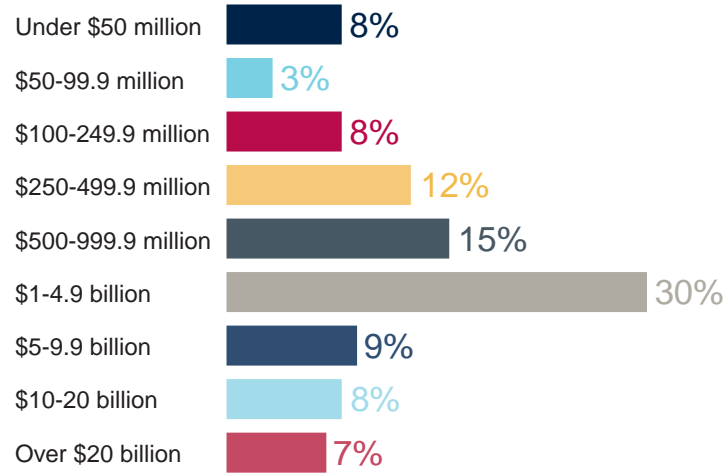
There are areas on which to focus that will allow for risk management to be more streamlined. Treasury and finance professionals believe that timely information from both internal and external sources is lacking and therefore hindering risk forecasting. The flow of internal information in a timely manner requires buy-in from all teams and their leaders, and the process needs to be streamlined. However, accessing timely external data is not in the hands of treasury and finance teams, and consequently may always be an impediment when forecasting risk.

As much as organizations plan for risk, the unexpected will always occur. For example, challenges and risks may emerge from the adoption of evolutions and risks may emerge (external) T* (in)2 ting y

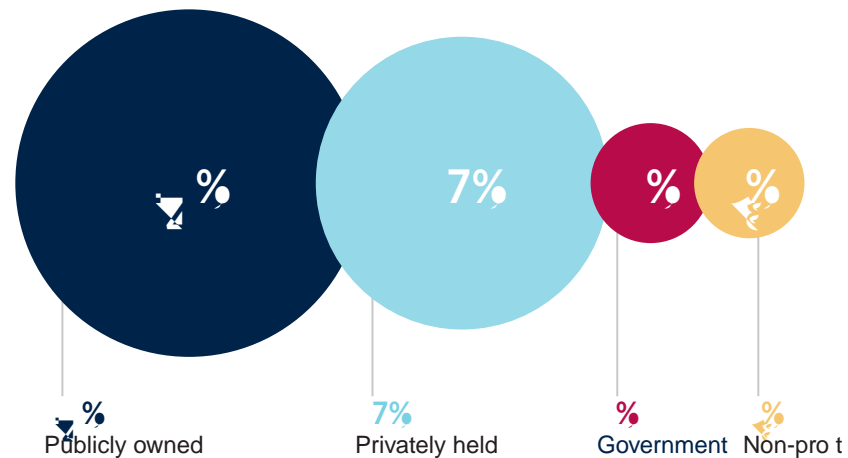
In October 2019, the Research Department of the Association for Financial Professionals® (AFP) conducted the 2020 AFP Risk Survey. The survey was sent to AFP members and prospects that held job titles of CFO, Treasurer, Controller, Cash Manager, Director Treasury and Assistant Treasurer. Responses from 365 professionals form the basis of this report. The respondent profile closely resembles that of AFP’s membership and is presented below.

AFP thanks Marsh & McLennan for being a valued partner and for its continued support of the AFP Risk Survey series, including sharing subject matter expertise for the design of the questionnaire and for the final report. The Research Department of the Association for Financial Professionals is solely responsible for the content of this report.

Annual Revenue (U.S. dollar)
(Percentage Distribution of Organizations)



Ownership Type
(Percentage Distribution of Organizations)



ABOUT THE SURVEY PARTICIPANTS (continued)

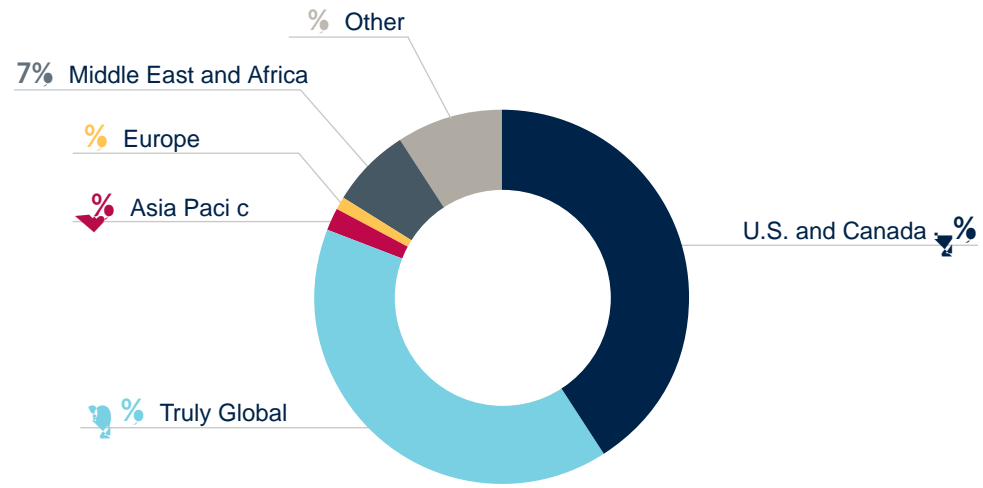
Industry

(Percentage Distribution of Organizations)

Administrative Support/Business services/Consulting	2%
Agriculture, Forestry, Fishing & Hunting	2%
Banking/Financial Services	15%
Construction	4%
Education	6%
Energy	3%
Government	3%
Healthcare and Social Assistance	5%
Hospitality/Travel/Food Services	4%
Insurance	6%
Manufacturing	18%
Mining	2%
Non-profit	2%
Petroleum	2%
Professional/Scientific/Technical Services	1%
Retail Trade	5%
Software/Technology	4%
Telecommunications/Media	2%
Transportation and Warehousing	2%
Utilities	6%
Wholesale Distribution	5%

Geography

(Percentage Distribution of Organizations)





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Headquartered outside of Washington, D.C. and located regionally in Singapore, the Association for Financial Professionals (AFP) is the professional society committed to advancing the success of treasury and finance members and their organizations. AFP established and administers the Certified Treasury Professional® and Certified Corporate FP&A Professional® credentials, which set standards of excellence in treasury and finance. Each year, AFP hosts the largest networking conference worldwide for more than 7,000 corporate financial professionals.

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