



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

2021 AFP®

# RISK SURVEY REPORT

Post Crisis and Preparation for the Future

KEY HIGHLIGHTS



**MarshMcLennan**

The *2021 AFP Risk* report highlights the equal roles that technology and people play in enabling treasury teams and their organizations to manage risk effectively. Both were vital to enterprise agility and resiliency throughout the COVID-19 pandemic crisis and in ensuring a consistent, competitive advantage going forward.

Treasury and other risk functions are increasingly tasked with facilitating more timely and forward-looking approaches for managing risks as well as assessing and planning for scenarios on a firm-

## KEY TOPICS COVERED IN 2021 AFP RISK SURVEY

MOST CHALLENGING RISKS TO MANAGE

RISKS WHICH WILL HAVE GREATEST IMPACT ON EARNINGS

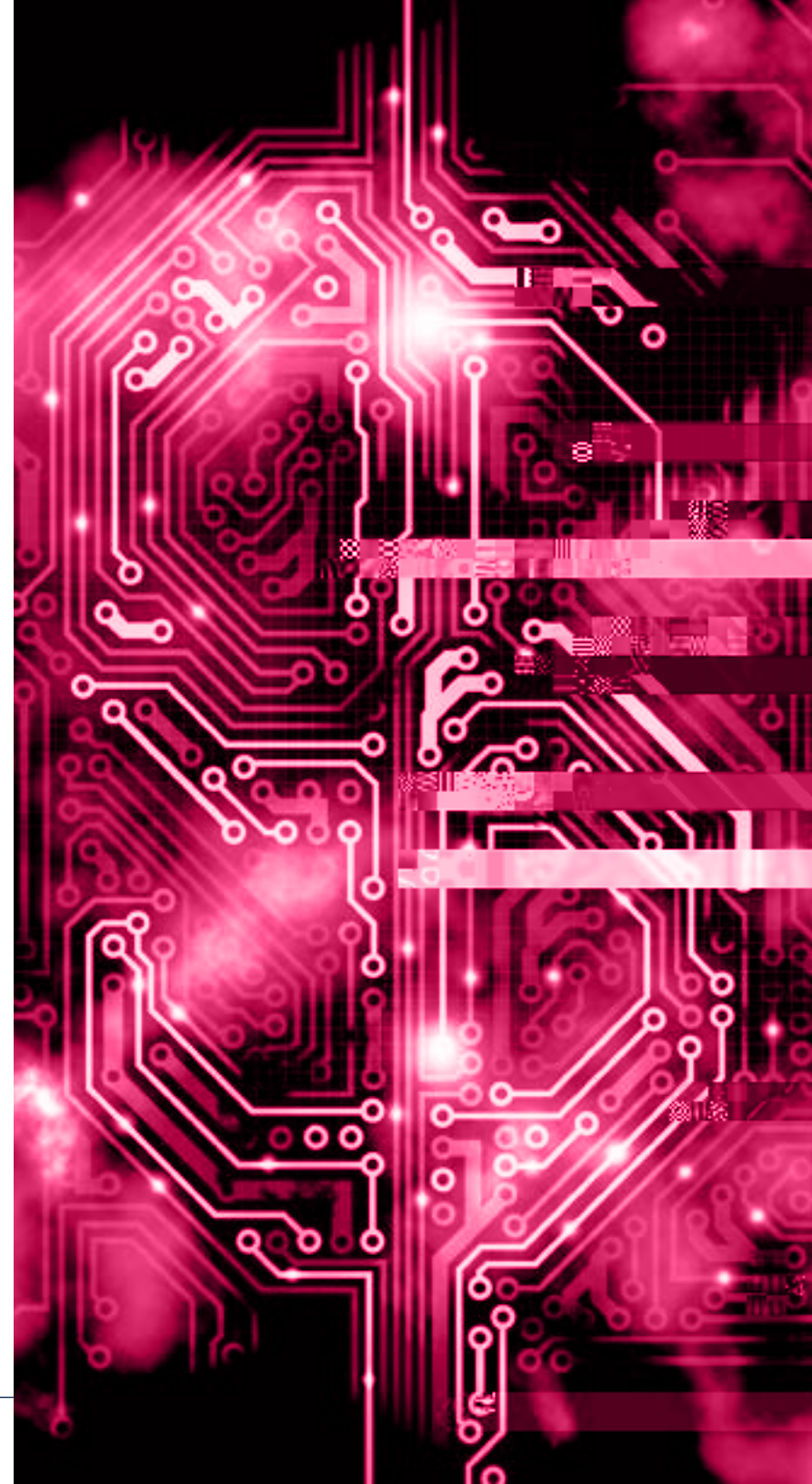
ORGANIZATIONS' EXPOSURE TO UNCERTAINTY IN EARNINGS

RISK MANAGEMENT TECHNOLOGY

KEY LEARNINGS FROM CRISIS

SHIFT IN EMPHASIS ON MITIGATING RISK

RISK MANAGERS PROPELLED TO A MORE STRATEGIC ROLE



## KEY FINDINGS

### **Managing people effectively is key in withstanding future crises (cited by 84 percent of survey respondents)**

Eighty-four percent of respondents believe managing people effectively during a crisis will assist them in coping better during the next crisis. Forty-three percent of respondents consider this very important when dealing with future crises and 41 percent indicate it is important.

This finding suggests it is a key learning for these practitioners as they emerge from the crisis they just faced. Focusing on keeping employees engaged, adapting to alternative work environments, allowing flexibility and assisting staff in dealing with their mental health are some of the areas that organizations will need to enhance going forward. Additionally, equipping staff with the requisite tools that will help them be more proactive, collaborate effectively and identify emerging risks is also essential.

### **Cybersecurity risks continue to be the most challenging to manage (cited by 47 percent of respondents)**

Nearly half (47 percent) of treasury professionals reports that cybersecurity risks (ransomware, phishing, etc.) are currently the most challenging risks to manage. Indeed, the views regarding cybersecurity risks have evolved over the past decade: in 2010, only 12 percent of survey respondents reported cybersecurity risks as the most challenging to manage. (Source: AFP Risk Survey 2010-2021)



## KEY FINDINGS continued



### **Risk managers anticipate strategic, business operations interruptions and macroeconomic risks will have greatest impact on organizations' earnings**

Survey results indicate that the risks which will have the greatest impact on earnings in the next three years are strategic risks – e.g., changes in customer demand and purchasing behaviors (cited by 49 percent of respondents) – and business operations interruptions (39 percent). Macroeconomic risks and financial risks follow, cited by 36 percent and 30 percent of respondents, respectively. These results are similar to those of last year's survey in which strategic risks were also reported as the top risks that will have the greatest

## INTRODUCTION

At the time this survey was conducted (May 2021), it had been 14 months since the World Health Organization (WHO) labeled the COVID-19 virus a “global pandemic.” Organizations around the world were emerging from the brutal crisis caused by this pandemic. Due to vaccine administration disparities in various countries, some nations were closer to attaining a semblance of normalcy than were others.

The impact of the crisis surrounding the pandemic was harsh; many organizations struggled (and continue to struggle) with the challenges that arose. Some industries were severely affected due to quarantine measures and closures imposed, particularly the hospitality, airline and restaurant sectors. Other organizations faced interruptions in their operations due to supply-chain issues or other disruptions affecting their businesses. As employees were required to work remotely, cybersecurity risks became a significant concern. Ensuring the security of computers operating on an organization’s network was a priority for business leaders – particularly for staff working in more vulnerable functions.

Although many organizations had business continuity plans in place, some of the procedures laid out in those plans did not address the challenges that emerged due to the pandemic. Being equipped with the necessary technology, tools and analytics was imperative since these tools assisted financial professionals in forecasting risks and allowed them to safeguard against the impact of COVID-19 constraints. Those organizations that had not enhanced their risk management technology to the extent required realized the need to shift their emphasis to investing in technology.



Managing employees was probably the biggest challenge faced by business leaders. Employees were working remotely; many faced child-care issues or were dealing with home-schooling while continuing to do their jobs. Often employees were overworked and fatigued—some struggled with mental anguish. Organizations had little or no experience in managing people during a crisis like this. Additionally, maintaining the culture of an organization in a remote work environment was also trying.

Against this backdrop, the Association of Financial Professionals (AFP) conducted its 10<sup>th</sup> risk survey. The 2021 AFP® Risk Survey examines the

key learnings for treasury professionals as their organizations recover from the pandemic crisis. Most importantly, the survey report highlights the areas on which these professionals need to focus when looking ahead. Responses from 272 treasury practitioners form the basis of this report.

The 2021 AFP® Risk Survey is once again supported by Marsh McLennan. AFP thanks Marsh McLennan for its support of the survey, for help in crafting the survey questions and for sharing its insights into current risk issues. The Research Department of the Association of Financial Professionals® is solely responsible for the content of this report.

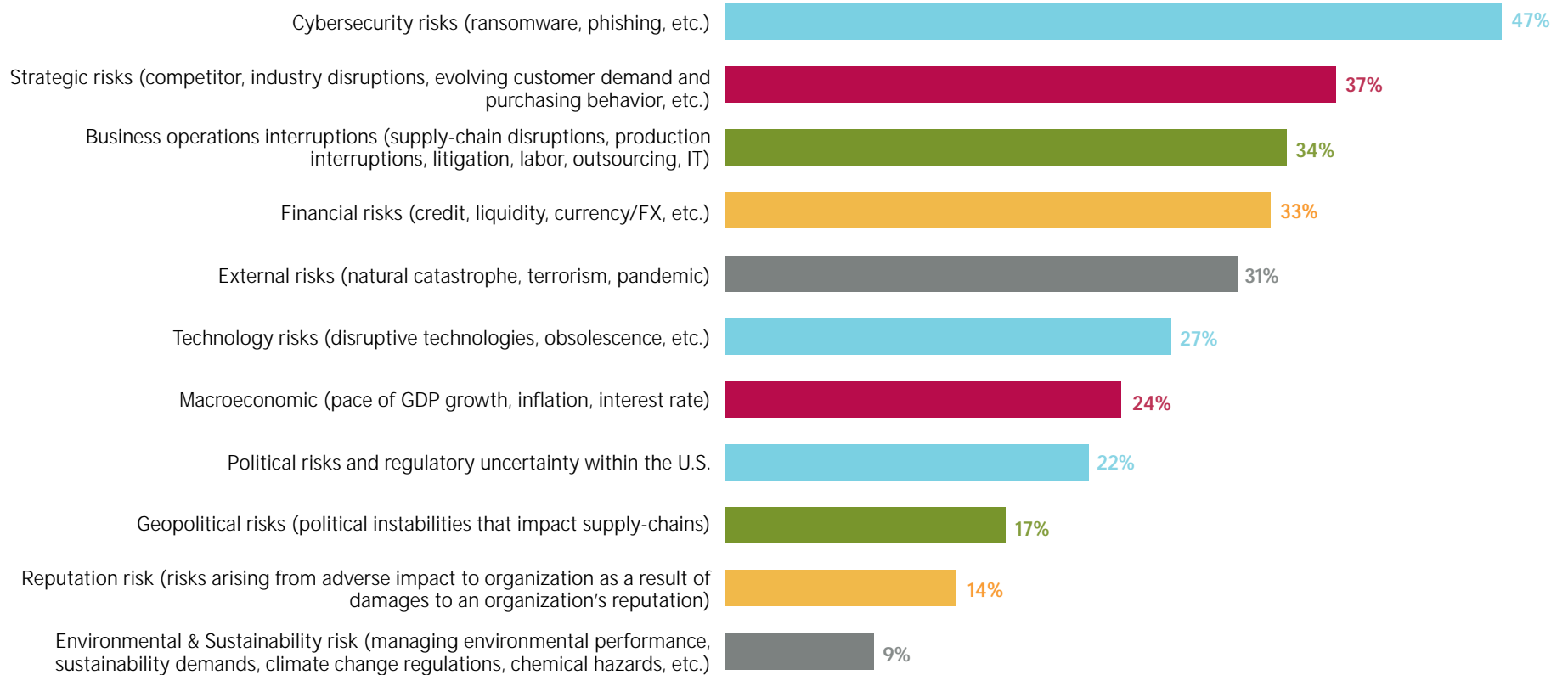






## MOST CHALLENGING RISKS TO MANAGE

### Risks Most Challenging to Manage (Percent of Organizations)



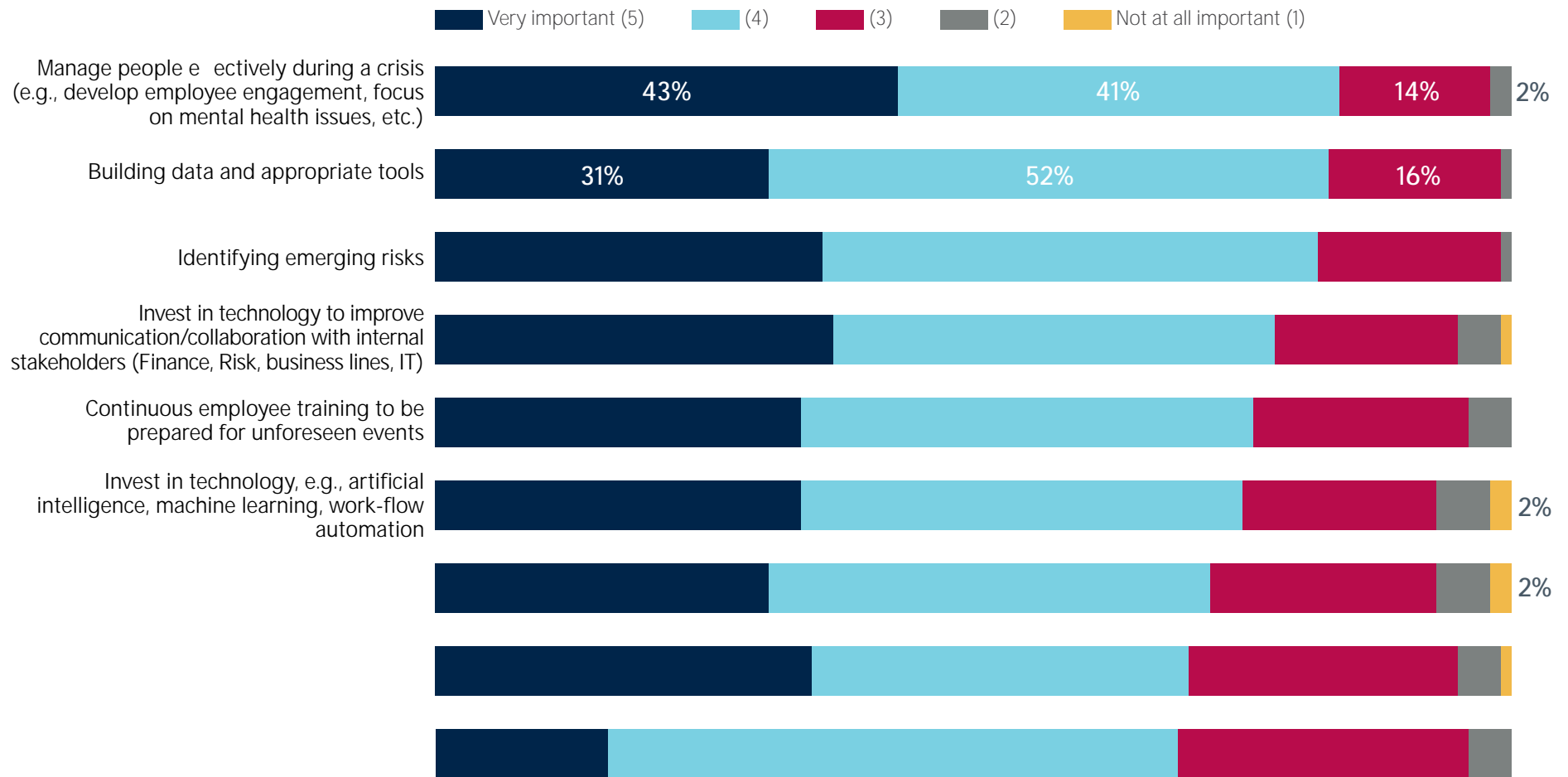






### Important Areas to Focus on to Withstand Next Crisis

(Percentage Distribution of Organizations)





## RISK MANAGERS PROPELLED INTO A MORE STRATEGIC ROLE

Nearly 50 percent of Practitioners Do Agree That Those Managing Risks Have Evolved into a More Strategic Role

## CONCLUSION

Cybersecurity risks (ransomware, phishing, etc.) have been challenging to manage in the past and continue to be the risk to watch. This risk is not abating any time soon. As we have witnessed in recent months (May/June), ransomware attacks at major U.S. organizations have caused significant disruptions and curbing these attacks are not only a priority for business leaders but also for the current administration that considers such breaches critical to control. Additionally, with employees working at home, systems are more vulnerable to attacks. It is encouraging, then, that organizations are cognizant of cybersecurity risk. Survey respondents report their organizations are placing a greater emphasis on cybersecurity risk management.



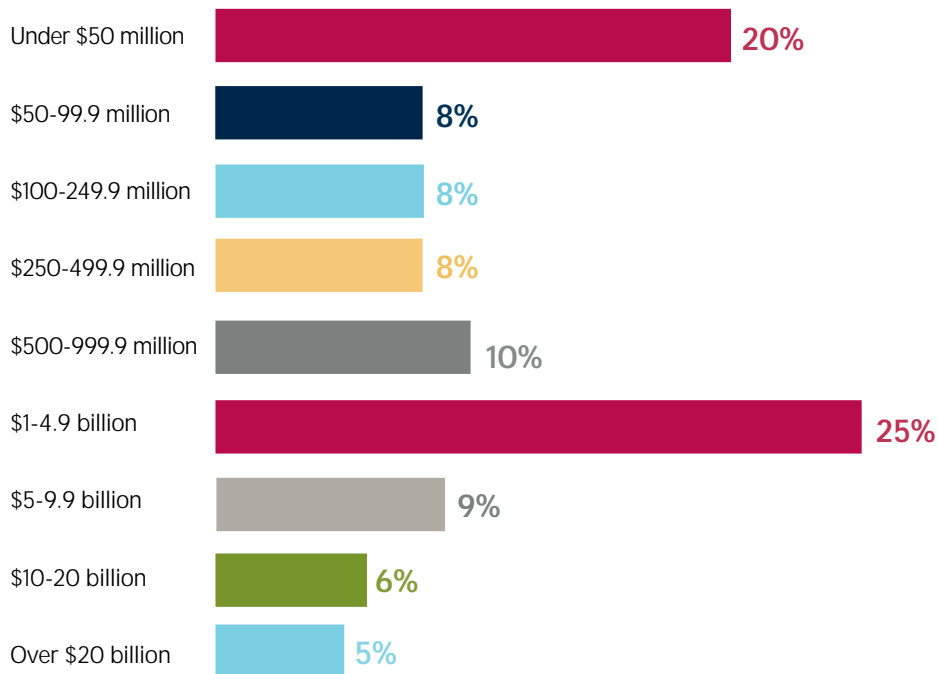
## ABOUT THE SURVEY RESPONDENTS

In May 2021, the Research Department of the Association for Financial Professionals® (AFP) conducted the 2021 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 272 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 (USD)

(Percentage Distribution of Organizations)



### Industry

(Percentage Distribution of Organizations)

Industry	Percentage
All	
Agricultural, Forestry, Fishing & Hunting	3%
Administrative Support/Business services/Consulting	5%
Banking/Financial services	17%
Construction	2%
Energy	2%
Government	5%
Health Care and Social Assistance	6%
Insurance	9%
Manufacturing	20%
Non-profit	6%
Petroleum	2%
Professional/Scientific/Technical Services	2%
Real estate/Rental/Leasing	1%
Retail Trade	2%
Wholesale Distribution	4%
Software/Technology	6%
Telecommunications/Media	2%
Transportation and Warehousing	2%
Utilities	4%







## AFP Research

AFP Research provides financial professionals with proprietary and timely research that drives business performance. AFP Research draws on the knowledge of the Association's members and its subject matter experts in areas that include bank relationship management, risk management, payments, and financial accounting and reporting. Studies report on a variety of topics, including AFP's annual compensation survey, are available online at [www.AFPonline.org/research](http://www.AFPonline.org/research).

## About AFP®

As the certifying body in treasury and finance, the Association for Financial Professionals (AFP) established and administers the Certified Treasury Professional (CTP) and Certified Corporate Financial Planning and Analysis Professional (FPAC) credentials, setting the standard of excellence in the profession globally. AFP's mission is to drive the future of finance and treasury and develop the leaders of tomorrow through certification, training, and the premier event for corporate treasury and finance. Learn more at [AFPonline.org](http://AFPonline.org)

4520 East-West Highway, Suite 800  
Bethesda, MD 20814  
T: +1 301.907.2862 | F: +1 301.907.2864

WeWork Beach Centre  
15 Beach Road  
#02-01 Singapore 189677  
T: +65 8879 2988

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# HOW DO YOU PREPARE FOR WHAT'S NEXT?