

# Shifting sands

CNA Hardy's latest Risk and Confidence Survey has highlighted growing concerns facing C-suite executives, but issues like corporate reputation and supply chain are failing to register.

In a notable sign of how quickly the risk landscape can change, the latest results from CNA Hardy's biannual Risk and Confidence Survey have highlighted a significant shift in the perceived exposures facing UK and European multinational businesses.

As noted in the report, cyber and regulatory risk have now moved to the forefront of the more than 500 business leaders surveyed, pushing political and economic perils aside. This may come as a surprise when considering the recent talk of trade wars and tariffs being imposed, but it is important to note that the research was undertaken during January and February 2018 and therefore before much of the recent political posturing had occurred.

Still, as David Brosnan, CNA Hardy's chief executive, told *Reactions*, the research still helps his business understand the mood and state of mind of the individuals at the time when they were interviewed.

Brosnan said three key themes had emerged from the Spring 2018 study.

"Boardroom confidence is staging a weak recovery, but a recovery nonetheless," Brosnan said, adding: "The C-suite executives that we interviewed do believe the risk environment continues to deteriorate or increase [in intensity]."

The other two main risks highlighted included cyber including the newly introduced General Data Protection Regulation (GDPR).

"Cyber as well as regulatory risk have moved to the top of the list and have pushed political and economic risk down," said Brosnan.

"It is not surprising that in Spring '18, cyber risk became the biggest issue that companies worry about, with

concern rising across the board by a sharp 11% since our last survey. It is now the single risk most mentioned by respondents, with 25% rating it their number one risk in the UK and 35% doing so elsewhere in Europe," the study states.

CNA Hardy's report said the introduction of GDPR "is a timebomb waiting to explode under UK and European businesses", pointing to research that said 60% of companies were not ready for the new regulation.

Other regulatory and legal issues are also top of mind for many C-suite executives surveyed by CNA Hardy.

"Regulatory risk has never been a key consideration for business leaders in previous surveys, consistently languishing among the three risks least likely to top the list of boardroom concerns. In Autumn '17 only 8% of leaders cited it as their key concern, although 23% felt it would spike in Spring '18. This of course coincides with the introduction of the GDPR in May."

But it is not just GDPR, with other regulatory risks surrounding modern slavery and the gender pay gap also having an impact.

Interestingly, CNA Hardy's chief executive noted how risks such as corporate reputation and supply chain risk continue to fail to register within the boardroom.

"Despite all the high-profile failures including most recently Carillion, Weinstein and KFC – these are two risks that still languish on the periphery of boardroom vision," the CNA Hardy report states, before adding: "Until business executives can get the balance right across the full range of boardroom threats, we predict that business leaders will continue to

feel that risk is increasing and caution remains essential."

Another concern for those interviewed was Brexit.

"When we first did the survey in the beginning of 2017, the interviewees were still quite bullish about growth and their ability to grow," Brosnan said.

"They were looking for growth on a broader base and there was confidence in their ability to navigate through the Brexit-related issues. You fast forward six months to the autumn, and that was after the snap UK election, and there was a tremendous amount of uncertainty around Brexit. There was uncertainty around the government itself and what that would mean for Brexit going forward.

"You move on another six months, and some of those questions have been addressed in general and companies believe there is a little more direction and certainty around what Brexit means, but there are still a lot of unknowns."

Brosnan called the political uncertainty "a rollercoaster", before remarking that it was no surprise that the businesses that the C-suite executives questioned work for are focusing on their local market "because there's still a fair bit of unknown".

However, Brosnan also said that looking to the future, those from multinationals in both the UK and continental Europe were seeing their perceptions of growth solidifying.

"With the uncertainty around Brexit impacting both UK and continental multinationals, the firms are looking afar to grow their businesses, whether it's Asia, North America or rest of world. These firms are very much still looking to grow on an international or multinational basis," Brosnan said.