

# 2022 Global Risk Survey - Middle East findings

Digital, compliance and people risks are top of mind for Middle East organisations, amid the region's transformation



Middle East companies and public sector organisations operate in an environment where risks are increasingly global in scale and impact. Cybersecurity threats, supply chain disruptions, inflation and the continuing shadow of COVID-19 are just a few of the risks that companies across the Middle East are confronting, along with their international counterparts.

It is no surprise, then, that the **Middle East findings from PwC's 2022 Global Risk Survey** are closely aligned with the overall worldwide results, or that our regional respondents' preferred tools and approaches for mitigating risks are largely the same as for their global counterparts. On a daily basis, the surveyed business leaders and senior risk executives from across the Middle East Region, deal with the issues fuelled by technological disruption, climate change and fractured geopolitics.

However, the region also has its own distinctive risk management challenges and opportunities. Consider, for instance, its massive investments in recent years in information communications technology (ICT), and the rise of a youthful workforce of digital natives who are eager to embrace ambitious national agendas to build highly digitalised knowledge economies.

The speed of change driven by new technologies across the region means the following risk categories, which we analyse in this report are especially relevant to businesses and investors in the Middle East:

1


## Digital risks amid the region's accelerating transformation

2

## Compliance risks in a rapidly evolving regulatory environment

3

## People risks – upskilling for increasingly data-driven economies



## Digital risks amid the Middle East's accelerating transformation

The good news for Middle East business leaders and their audit, risk and compliance teams is that they are operating in a region that has returned to growth after the COVID-19 slowdown, as transformation agendas gather momentum. 69% of respondents, the same proportion as globally, say revenue will increase by up to 15% over the next 12 months. The more concerning news is that the same digital technologies, which are helping to drive the Middle East's transformation, are also the source of increasingly sophisticated cyber attacks and other digital threats.

Middle East business leaders are acutely aware of these hazards. In our latest Middle East CEO survey, 57% said cyber risks would have a negative impact on their company over the coming year, significantly more than the global average. To counter digital threats, 39% planned double-digit investments in cybersecurity and data privacy over the next three years.

The Middle East Risk Survey findings reflect the same concerns. It is striking, for instance, that even in non-technology, media and telecoms companies and organisations, half the respondents identify digital risks as one of their top three risk categories, with only operational risks being a marginally more common priority.





# Digital risks amid the Middle East's accelerating transformation

Against this background, Middle East organisations are beginning to invest heavily in technology and expertise to counter digital risks. Over 50% of respondents are planning to spend more on cybersecurity services in 2022, in line with the global survey. At the same time, almost all respondents of the regional survey say keeping up with the speed of digital transformation within their organisation is a significant challenge.

More concerning, however, is the evidence from the results that Middle East organisations are still playing a game of catch up with malign digital actors, both inside and outside the business. The overwhelming majority of respondents also report that risk technology solutions that do not work together are a significant challenge, as are lack of access to risk tools and enablers, and costly, time-consuming manual processes. The message is clear. In order to align words with actions, the region's businesses need to get serious about investing in world-class risk management solutions and talent.

## Key actions to address digital risks include:

- Utilise data to assess current digital risks and uncover blind spots in the organisation's internally and throughout relationships and supply chains
- Incorporate sound digital practices and strong controls by utilising suitable tech solutions
- Use data and intelligence to measure the organisation's risks continually, monitoring evolving digital risks at all times.

92%

find keeping up with the speed of digital transformation in their organisation is a significant challenge<sup>1</sup>

93%

say technology solutions that do not work together are a significant challenge<sup>2</sup>

56%

are planning to spend more on cybersecurity services in 2022<sup>3</sup>

1. Question: How significant are the following challenges to managing risk in your organisation in 2022?

2. Question: How significant are the following challenges to managing risk in your organisation in 2022?

3. Question: Thinking specifically about managed services, which of the following types of managed services are you planning to spend more on in 2022?

# Compliance risks in the Middle East's rapidly evolving regulatory environment



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More advanced risk compliance technologies and expertise are central to tackling these challenges. For example, financial audits, which deploy new technologies are far less prone to error and far swifter than manual processes, enabling organisations to meet regulatory deadlines. We recently explored this topic in **our paper on effective internal control over financial reporting (ICFR)**, where we emphasised the advantages of errors being corrected in real time using digital technologies, and the benefits of data analytics for continuous monitoring and full oversight on the entire reporting process.

In this context, some of the Middle East Risk Survey results are positive. Around three-quarters of respondents plan to increase expenditure on data analytics moderately or significantly in 2022, and also spend more on reporting and visualisation technologies. At the same time, around half are spending more on compliance solutions and trade compliance monitoring software. Yet as with digital risks, this investment in technology to improve compliance is delayed – a trend which is also true globally. For example, only 21% say their organisations are realising the benefits of achieving compliance through having implemented design with code directly in business and digital applications.

## Key actions to address compliance risks include:

- 1 **Invest resources in a dedicated compliance team**
- 2 **Prioritise practically**
- 3 **Seek expert guidance to avoid over-or-under complying.**

**91%** say external or compliance pressures are taking up significant amounts of the resources and time of the risk functions and risk owners<sup>4</sup>

**75%** are increasing expenditure on reporting and visualisation technology in 2022<sup>5</sup>

**21%** are realising the benefits of achieving compliance through having implemented design with code directly in business and digital applications<sup>6</sup>

4. Question: How significant are the following challenges to managing risk in your organisation in 2022?

5. Question: To what extent are you changing your spend on the following technology areas to better manage risks in 2022?

6. Question: To what extent is your organisation doing the following with regard to your risk management strategy and programme in 2022?



# People risks – upskilling for a digitalised future

The best risk technologies are, of course, useless if organisations do not have the people to implement or operate them. On this front, it is worrying that almost all Middle East respondents say risk owners and risk functions in their businesses lack the required skill sets to perform their roles properly – roles which inevitably will require constantly upgraded digital expertise as organisations seek to replace old-fashioned and time-consuming manual processes.

To some extent, it is positive that more than two-thirds of Middle East respondents say they are addressing these risk skill shortages formally, either at an enterprise-wide level or within individual business departments. However, that still leaves almost one third of respondents who are only tackling the issue in an ad hoc fashion, or not at all.

We suspect that the fact that almost all Middle East organisations in the survey suffer from high employee turnover in their risk departments may be connected with under-investment in upskilling. On the positive side, three quarters of respondents, in line with the global survey average, are increasing expenditure in 2022 to add technology and digital capabilities to the risk function workforce. Yet at the same time, less than half of the regional respondents have already complemented risk technology investments with people and process changes.

The appetite also clearly exists across Middle East workforces for digital upskilling and ongoing (internal or external) training in new technologies. For example, our latest **Hopes & Fears survey** of young Middle East employees found that more than half feel they have limited opportunities to learn from colleagues with advanced technical or digital skills.

Here is a people risk which has a straightforward fix. When you invest in the latest risk technologies, invest in your people as well.

## People risks – upskilling for a digitalised future

### Key actions to address compliance risks include:

- 1 **Build loyalty and trust by investing in upskilling programmes**
- 2 **Utilise internal surveys and data analytics to assess exact upskilling needs**
- 3 **Enable employees to work smarter by implementing technology solutions to automate and enhance work processes.**

**89%** of risk owners and 90% of risk functions lack required skills sets to a significant degree<sup>7</sup>

**90%** complain of high employee turnover in their risk department<sup>8</sup>

**43%** say they have already complemented risk technology investments with people and process changes<sup>9</sup>

7. Question: How significant are the following challenges to managing risk in your organisation in 2022?

8. Question: How significant are the following challenges to managing risk in your organisation in 2022?

9. Question: Which of the following statements represent your organisation's current approach to investments in risk management technology?





# Global risks still involve regional risk management strategies

The increasingly global nature of risks means the challenges faced by Middle East companies are often the same as those confronted by their international peers. This trend is likely to intensify, as the Middle East becomes even more integrated with the global economy. For the same reason, the approach to prudent risk management in a volatile business environment that we identify in our global risk survey, is equally relevant for Middle East organisations. Above all, risks are often interconnected, requiring collaborative, multi-disciplinary management, and the best technology to achieve well-informed and up-to-the-minute insights.

At the same time, the Middle East survey results highlight the extent to which several areas particularly demand organisations' urgent attention across the region. It is of course good news that Middle East countries are continuing to make massive investments in new technologies and even better news that a rising generation is eager to embrace them. Yet too many Middle East businesses have still to capitalise on this supportive context to implement the latest digital risk technology solutions – not least in compliance, where companies are often still hampered by error-prone and cumbersome manual processes.

The message from the Middle East survey findings is clear. With risk management, as with all other parts of your organisation, investing in technology cannot be separated from investing in people. Failure to apply this lesson rapidly could expose companies to another risk – an exodus of young talent to competitors that offer more opportunities to develop their digital skills.

## About the survey

The 2022 Global Risk Survey is a survey of 3,584 business and risk, audit and compliance executives with 110 Middle East respondents represented. The survey was conducted from February 4 to March 31, 2022.

Business executives make up 51% of the Middle East sample, and the rest is split among executives in Audit (25%), Risk management (10%), and Compliance (14%).

Thirty-five percent of respondents are executives in large companies (\$1 billion and above in revenues); 15% are in companies with \$10 billion or more in revenues.

Respondents operate in a range of industries: Financial services (21%), Industrial manufacturing (24%), Retail and consumer markets (14%), Energy, utilities, and resources (16%), Tech, media, telecom (6%), Health (13%), and Government and public services (6%).

The Middle East respondents are based in Bahrain, Kuwait, Oman, Qatar, United Arab Emirates and Saudi Arabia.

**PwC Research**, PwC's global Centre of Excellence for market research and insight, conducted this survey.



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