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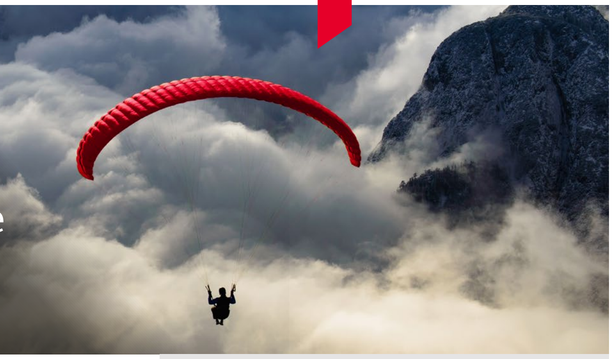

Americas

Executives that embrace risk, maximize the benefits of technology and empower their people can build agile businesses fit for the future.

BDO's Global Risk Landscape Report 2022 analyzes the unprecedented disruption global supply chains have experienced since 2020, and what this means for business risk.

FOR MORE INFORMATION:

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While geopolitical tensions elevate risk in regions from Europe to Asia Pacific, in the Americas corporate leaders are worried about growing threats in cyberspace.

The increasing frequency and severity of cyberattacks in recent months has propelled computer crime to the top—by quite some margin—of the list of concerns among the 100 Americas C-suite executives responding to this year's survey for our Global Risk Landscape Report.

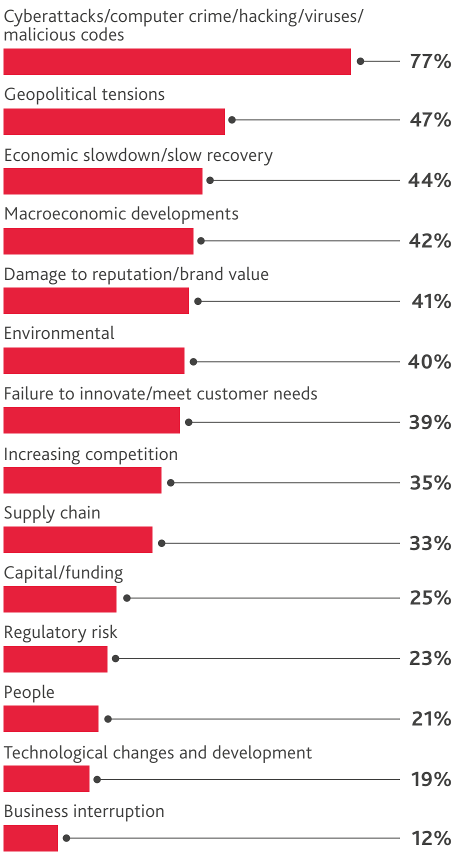
Cyber risks were eighth on the list of corporate concerns in our Americas sample last year, cited by 21% of executives.

After a year in which hackers breached businesses including cash app Block and authentication leader Okta and prompted the shutdown of almost 4,000 Quebec government websites, that level is up at 77%, higher than fears of geopolitical tensions at 49%, or an economic slowdown, which was last year's top concern and remains so for 44% of leaders.

The implication is that worries over the economy have receded, although that is not the case. The proportion of leaders listing an economic slowdown as a concern this year is consistent with the level seen last year—but this risk has now been overtaken by geopolitical issues and, above all, cybersecurity.

Combating cyber risks requires digital skills which are in short supply following the Great Resignation of 2021, which saw four million Americans abandoning their jobs in April alone as vaccination freed workers from lockdown.

Figure one: Which risks are your company most unprepared for? (Ranked 1, 2, 3, 4 or 5)



PRESSURE POINTS

Before the coronavirus pandemic, many global supply chains had been optimized for efficiency, cutting costs and delays to improve financial performance. But this strategy relies on supply chains that work efficiently almost all the time. The last two years have shown that does not always happen.

In the Americas, none of the business leaders we interviewed have optimized their supply chain for resilience, compared to a global average of 24%. This leaves companies in the region with a mountain to climb in adapting to an environment marked with supply chain issues.

Figure two: How has Russia's War in Ukraine impacted your business?

The digital skills shortage is not just affecting cybersecurity capabilities but also many other aspects of business, including automation and supply chains.

An absence of labor and challenges relating to container costs and availability, port capacity and other factors have created a perfect storm for supply chains in the Americas, albeit there are regional nuances that are not fully captured by the scope of the survey.

There are marked differences between the economies of Canada, focused on financial services, energy and minerals, and the US, with a higher dependence on manufacturing and other sectors. Because of the nature of its dominant sectors, Canadian supply chains tend to be shorter and less subject to stress than those in the US.

In the US, meanwhile, companies have (to a much greater extent) focused on importing goods and raw materials for manufacturing and distribution to local markets. This implies longer, more complex upstream and downstream supply chains, which are now experiencing significant difficulties and leading to a rush for greater resilience.

The picture has not been helped by events abroad, with 83% of the Americas leaders in our survey saying their logistics and shipping networks had been impacted by Russia's War in Ukraine and/or their supply chain partners had been impacted by sanctions.

These figures are significantly above the global averages in the survey, which showed 56% of companies impacted by sanctions and 45% experiencing disruptions to logistics and shipping networks. One area where the Americas has fared better than most other regions is in energy supplies and costs.

Thanks to plentiful supplies of homegrown oil and gas, only 17% of leaders in the Americas say energy costs have risen, on par with the level reported by companies in the Middle East and well below the global average of 35%. Nevertheless, Americas business leaders are aware that an over-reliance on fossil fuels could lead to growing risks in the future.

ENVIRONMENTAL CONCERNS

Driven by a combination of environmental, social and governance investor concerns and legislation, there is a growing need to create more climate-friendly supply chains and business practices.

In the US, pressure to move in this direction is coming not only from investor and consumer groups but also from the Securities and Exchange Commission's plans to require disclosure of greenhouse gas emissions. It is expected that the Ontario Securities Commission will follow shortly with required disclosure on greenhouse gas emissions as well.

While aware of this need, the move to greater sustainability is not perceived as an outsized threat by business leaders.

BUSINESS OUTCOMES

Americas companies will embark on a massive pivot toward more resilient supply chains in the coming half decade, with 92% of respondents backing this trend. This is more US-focused but does impact Canada as, for example, goods such as cars come from the US.

Part of this movement is likely to involve improving knowledge of supply chain partners, since only 5% of respondents claim to have full understanding of the location and key threats faced by tier-one suppliers, compared to a global average of 24%, and only 17% have visibility up to the third tier, versus 32% globally.

To improve this visibility, 55% of Americas companies are planning to introduce supply chain analytics technology in the next 18 months, compared to a global level of 39%, and 25% are intending to invest in other supply-related technologies, versus 15% worldwide.

This will likely require investments in people with technology skills, with 47% looking to hire more digital talent (against a global rate of 34%). At the same time, 31% of respondents in the region say their companies intend to regionalize the supply chain or nearshore production in the next 18 months, compared to a global average of 24%.

The same percentage of Americas companies is looking to introduce dual sourcing of raw materials, compared to 27% doing so globally. Despite this nearshoring activity, Americas business leaders are the second most likely in the world—after those in the Middle East—to say their company supply chains will be more global in five years.

Seven out of 10 companies worldwide expect this to be the case, but in the Americas the level is 78%.

RISK MANAGEMENT IN FOCUS

Building supply chain resilience costs money and—if challenges relent in the short term—may end up not delivering a return on investment. Supply chain resilience also requires a risk-aware culture that can help organizations establish and maintain strong defenses against new risks, as well as responding more quickly to operational threats.

When looking to improve resilience, leaders should be aware that previous supply chain risk assessments may not accurately reflect today's broad spectrum of disruption factors, which ranges from availability of raw materials and commodities to shortages in port and logistics personnel.

The new full-scope, medium-to-long-term supply chain risk landscape requires strategies based on alternatives rather than availability and accessibility. In this environment, the roles of risk leaders and chief audit executives are growing in importance.

Risk leaders not only need exceptional analytical skills but also highly developed commercial, strategic, leadership and communication abilities. Our research revealed these roles bring a new appreciation of the risk landscape to the business.

For example, they are more confident than CEOs in the robustness of company plans around supply chain disruption.

Indeed, it seems the upheaval of the last two years has altered attitudes toward risk among corporate leaders in the Americas. Whereas last year 10% considered their businesses to be 'risk welcoming', this year that level has dropped to zero, below any other region in the world.

At the same time, 80% of companies now have a risk officer in a C-suite position, a higher level than in any other region and well above the global average of 60%. In another sign of the seriousness with which Americas companies take this issue, 94% have a dedicated individual responsible for supply chain risk management, compared to 62% globally.

Figure three: In general, how long do you predict global supply chain disruption will continue?

3%
It is **ALREADY OVER**

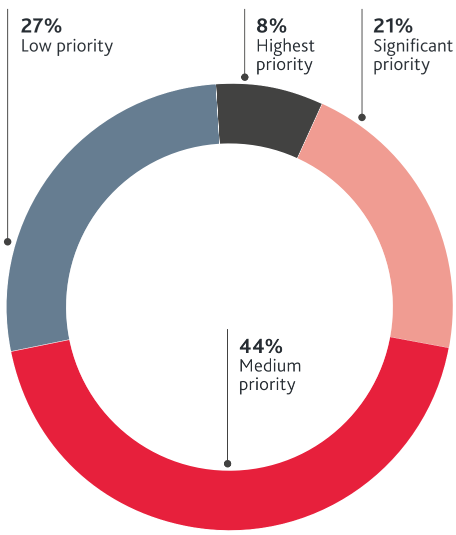
6%
Up to another **6 MONTHS**

41%
Between **6 MONTHS AND 1 YEAR**

44%
From **1 TO 2 YEARS**

6%
From **2 TO 4 YEARS**

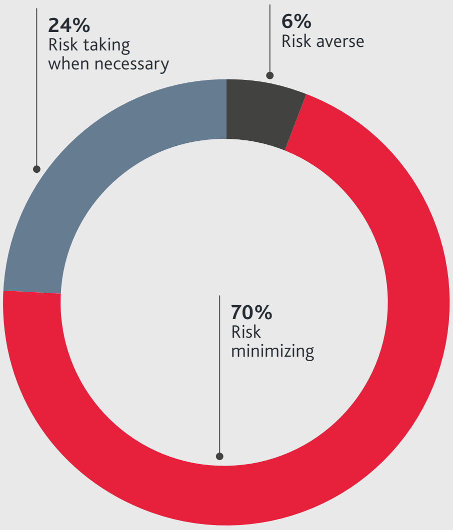
Figure four: How much of a priority is climate change and natural disasters for your supply chain?



FACING THE FUTURE

The supply chain crisis has posed many challenges for companies, but many have responded effectively – pivoting business models, increasing investment in digital technology and putting effort into understanding supplier dynamics. Our global research also shows that companies that embrace and welcome risk tended to cope better, often experiencing a less significant impact from the pandemic. However, none of the Americas participants see their company as risk welcoming.

Figure five: Please categorize your company's level of risk appetite.



Companies must learn to live with uncertainty and unexpected risks such as the supply chain crisis. Changing business culture is a long-term project, but all businesses can benefit from effective risk management frameworks supported by technology and predictive data analysis. Risk awareness should be strengthened within companies, and more attention given to early warning systems. Risks are not static; existing risks evolve and new ones emerge. The more that businesses can improve their understanding of risks through use of new technology and accurate data, the more they can improve their ability to adapt when the next crisis occurs.

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