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The World Economic Forum *Global Risks Report 2022*: What Private Company Boards Need to Know

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The just-released *Global Risks Report 2022* is unsurprisingly pessimistic on the state of global risk. In it, for example, nearly 1,000 global risk experts were asked: “What is your outlook for the world over the next three years?” Almost 90 percent were gloomy.

For that reason alone, the World Economic Forum’s 2022 report is a business leader must-read. But there are many more reasons: Now more than ever, an acute understanding of how global risks are relevant to your business and sector will define your success or failure for not only the near- and medium-term but also the long-term horizon—10 years-plus given the [multiyear mega-trends and converging conflagrations the globe is experiencing](#).

The 2022 report incorporates the views of not just those nearly 1,000 experts but also more than 12,000 other international respondents, and it is cosponsored by several leading businesses and academic institutions. The report covers a broad range of topics, including the unequal global economic recovery, disorderly climate transition, digital dependencies and cyber vulnerabilities, barriers to migration, crowding and competition in space, and resilience.

But before we dig into the details for 2022, let’s briefly understand what the World Economic Forum means by “risk”: “the possibility of the occurrence of an event or condition that, if it occurs, could cause significant negative impact for several countries or industries.” Its five major global risk categories include:

1. **Economic** (such as asset bubble bursts in large economies and collapse of a systemically important industry)



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3. **Geopolitical** (such as the collapse of a multilateral institution and geopolitical contestation of strategic resources)
4. **Societal** (such as the collapse or lack of social security systems, as well as employment and livelihood crises)
5. **Technological** (such as adverse outcomes of technological advances and breakdown of critical information infrastructure)

Notice something important about these risk categories and examples? They are deeply interconnected with the rise of stakeholder capitalism and of the tsunami of environmental, social, and governance (ESG) risks and opportunities.

Top Risks Over the Next Decade

For 2022, the list of the decade's top 10 most severe global risks is dominated, predictably, by environmental (five) and societal (three) risks, with one risk each under the economic and geopolitical categories. In order, the top 10 include (with the category in parentheses):

1. Climate action failure (environmental)
2. Extreme weather (environmental)
3. Biodiversity loss (environmental)
4. Social cohesion erosion (societal)
5. Livelihood crises (societal)
6. Infectious diseases (societal)
7. Human environmental damage (environmental)
8. Natural resource crises (environmental)
9. Debt crises (economic)
10. Geoeconomic confrontation (geopolitical)

Somewhat surprisingly, technological risks didn't crack the top 10. My take? The 10 that made it are even more material, pervasive—and even existential. That doesn't mean that tech risk isn't high on the agenda. Indeed, two tech risks show up in the 2022 report's short-term (zero- to two-year) and medium-term (two- to five-year) projections:

- “Cybersecurity failure” is seventh (short term) and eighth (medium term).
- “Digital inequality” is ninth (short term).

A key theme in the 2022 report is COVID-19's impact on so much of what is going on. Indeed, many have observed how the pandemic has unearthed, accelerated, and intensified several key long-term trends. The 2022 report identifies more than thirty such risks, including social cohesion erosion, livelihood crises, climate



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for business to consider. Even if they are not risks or opportunities today, they might be tomorrow.

The 2022 report touches on another key theme for business: resilience. The discussion highlights how woefully unprepared we all are—including business—to understand and be able to mitigate a host of risks, including technological ones.

Respondents were asked to describe the current state of international risk mitigation (not started, early development, established, or effective) for a range of challenges. Three challenges topped the list—two of which affect almost every business:

1. Artificial intelligence, with 90 percent of respondents saying their response was not started or in early development
2. Space exploitation, with 76 percent of respondents saying their response was not started or in early development
3. Cross-border cyberattacks and misinformation, with 75 percent of respondents saying their response was not started or in early development

How You Can Deploy the 2022 Report

As a board member—whether public or private, local or international—you might ask yourself: Why are the mega-risks described in the report so relevant to my business specifically?

I have two words for you: “strategy” and “resilience.”

The rich data in the 2022 report deserves the attention of anyone who considers themselves to be a savvy citizen, professional, or leader. I would go so far as to suggest that it would be derelict for business leaders of medium to large (and even complex small) companies to not at least be familiar with the report.

For those boards that want to go a little further, I suggest the following steps:

1. **Read the report.** Browse through the 2022 report yourself to pick up the bits and pieces that are relevant to your business.
2. **Discuss it with management.** Ask management if they are familiar with this report—especially the CEO, chief financial officer, and if you have one, chief risk officer. Ask them to synthesize the report’s importance and lessons for your specific business and sector, with particular attention paid to geographic footprint, employee population and human capital, supply chain, and cybersecurity.
3. **Gauge your global risks.** Once these global risks are identified, think about the likelihood and impact of each in terms of your footprint. Ask management and your chief risk officer to incorporate them into (enterprise) risk management discussions and assessments.
4. **Brainstorm strategy implications.** Engage in a risk brainstorming exercise that looks at the list of risks in the report’s appendices—which list all the subcategories for the five key risk categories—and ask



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5. **Connect to preparedness.** Think about whether you have the right resilience and preparedness tools built into your strategy to manage and mitigate some of the global risks that are pertinent to you.
6. **Repeat.** Remember to use the same process for next year's report; this should be an annual undertaking.

And lest the point be lost in all this, the lessons and data from the *Global Risks Report 2022* are as applicable and useful to private companies' management and boards as they are to publicly traded companies. They are perhaps even more useful to private companies because they do not have the public disclosure and reporting pressures that publicly traded companies have, yet they are exposed to the same sets of risk facts. Indeed, private companies without the proper risk situational awareness and management systems customized to their footprints and strategies risk not only exposing their people, assets, and prospects to crisis and danger but also their overall strategies and business plans to failure—and worse.

The bottom line for both private and public boards and executives is this: They should pay close attention to this valuable global risk resource, as it also dovetails with the search for opportunity. Think of this as part of your larger ESG road map and strategy. Without a keen understanding of your global risks, you can't hope to survive for long, let alone thrive—even in the short term.

We're living in a period of augmented risk. It's time to take off the blinders and let the light of global-risk situational awareness provide constructive direction to our strategy formulation and resilience-building actions.

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Gloom to Boom: How Leaders Transform Risk into Resilience and Value (Routledge, 2020) and The ESGT Megatrends Manual (Diplomatic Courier, 2021).

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