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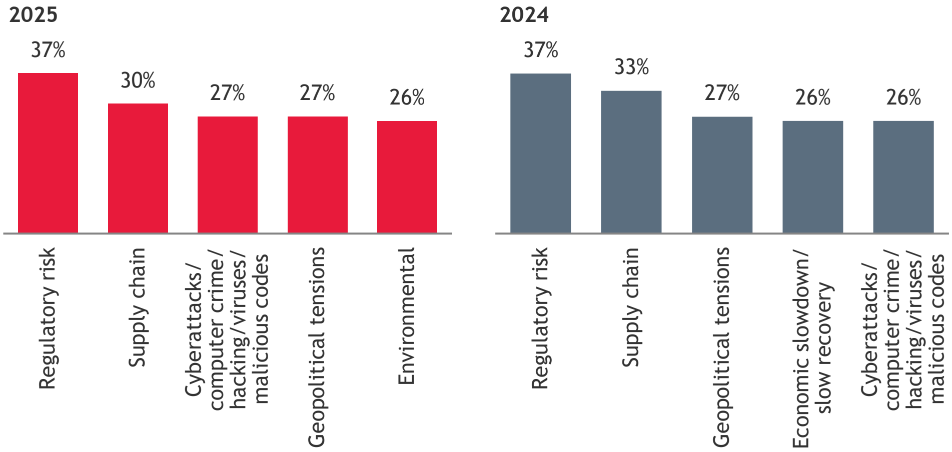
Crisis and real risk management: Europe's evolving challenge

BDO's Global Risk Landscape Report 2025

Risk managers in Europe face a backdrop that is more defined by crisis than ever. The ongoing conflict in Ukraine, shifting geopolitical alliances and mounting trade tensions with the US are piling the pressure on risk management teams in the region. The regulatory landscape also remains unrelenting. Some 37% of executives said regulation was a top three risk, making it the region's top risk for a second consecutive year, followed by supply chains (30%) and cyberattacks and geopolitics (both 27%).

Which risks do European business leaders say they are unprepared for?
Percentage who said it was a top three risk



While maintaining compliance is critical given the potential of financial penalties for any regulatory mishaps, a box-ticking compliance culture may imply that risk management isn't being used to its maximum potential. In this environment, executives could be underestimating the external risks they face.

Geopolitical risk was elevated in last year's report given that the survey was conducted in 2024 shortly after the October 2023 attacks on Israel, but while the proportion of executives citing geopolitical tensions as a top three risk was unchanged this year, this might have changed since the survey was conducted in January given Donald Trump's on-off tariff threats and concerns of an escalating trade war. However, the survey suggests businesses might still be unprepared for significant shifts in geopolitical relations.

> **"Companies feel that regulation is a burden because the regulators are less predictable. In Europe, companies have to invest a lot in compliance and then laws and regulations change overnight.**
>
> Emanuel Van Zandvoort, Partner, Internal Audit, Risk & Compliance at BDO Netherlands

Part of the challenge is that the region in some cases mirrors what is going on in the US, where regulatory winds are blowing in a different direction following the election of Donald Trump, said Koen Claessens, Global Head of Risk Advisory at BDO Belgium. For example, the Trump administration is rowing back on climate change-related regulation. Likewise, the EU's Omnibus proposals are seeking to water down the region's sustainability reporting rules, including reducing the number of companies impacted, postponing reporting dates and cutting the number of data points businesses must report on.

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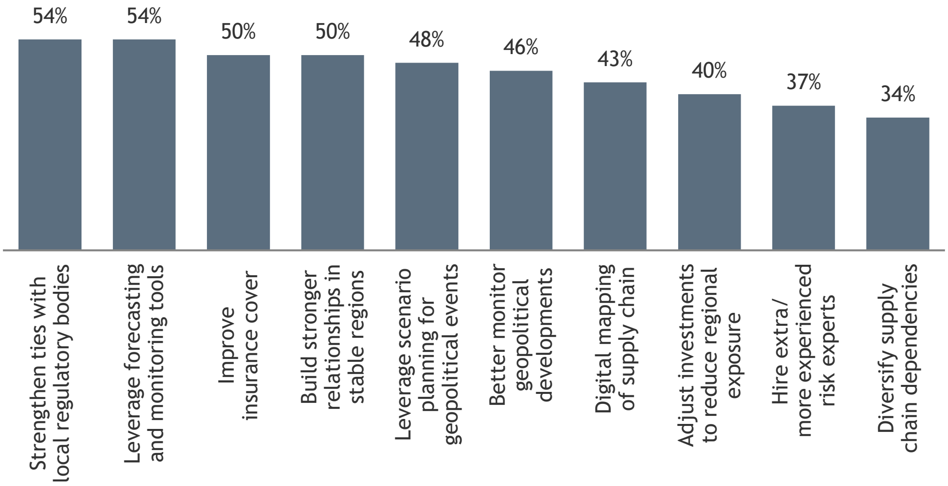
When asked how their businesses were guarding themselves against geopolitical disruption, the top answer was strengthening partnerships with local regulatory bodies and leveraging risk forecasting and monitoring tools (both 54%). By contrast, diversifying supply chain dependencies was the lowest-ranked measure that businesses were taking (just 34%). This may now be a bigger priority as traditional trade partnerships are brought into question, deepening the sense of crisis and creating more uncertainty for businesses.

What will European executives do over the next two years to cut geopolitical risk?



> **Companies should be more focused on external and strategic risk as this has the biggest impact on market value. We tend to spend a lot of time on compliance and operational risk, which is fine, but once you have them in your control framework, you should focus the majority of the time on strategic and external risk. The difficulty of external risk is that you cannot influence it.**
>
> Emanuel Van Zandvoort

This means running through the potential scenarios and understanding what the impact could be and how to adjust if needed, for example by moving out of a market, reconfiguring supply chains or, for manufacturing businesses, changing the production materials that are used, said Van Zandvoort.

> **You have to really think much more ahead to anticipate external risks and that's what companies are not really doing because they are focused on short-term revenues and short-term gains. I really believe that risk management could make a difference here. Scenario planning is not about predicting, it's just thinking about the uncertainties in the world and preparing for those uncertainties.**
>
> Emanuel Van Zandvoort

Amid these uncertainties, businesses are refocusing on AI opportunities and the technology's potential to help manage risks. Executives ranked compliance monitoring as the most likely area where AI will impact their business, followed by supply chains, demand forecasting, and cybersecurity.

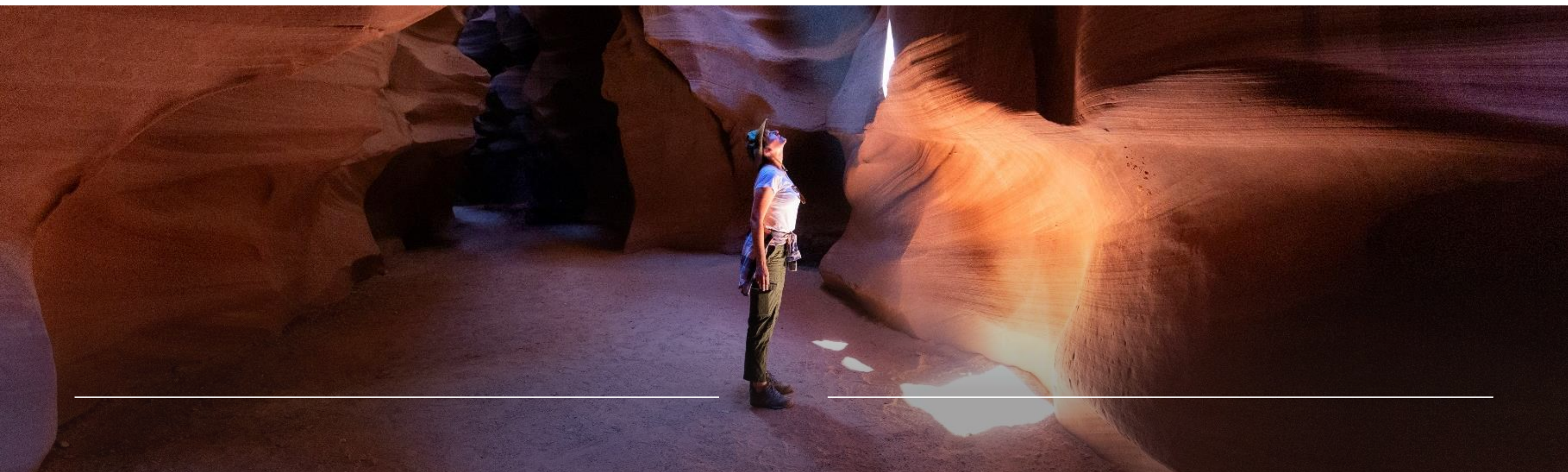
> **Organisations are still looking at what it could mean for them and considering the good use cases. But it's not something necessarily that you just want to jump into and then see where you end up. First see what could work and what might be a good investment: only then take the decision to invest in something.**
>
> Koen Claessens, Global Head of Risk Advisory Services at BDO Belgium

AI is also increasing attention around potential fraud risk – on the one hand, the risk that AI poses through deepfakes, and on the other, using AI to more accurately identify and prevent instances of fraud. However, it is an area where European companies are potentially lagging. Only 30% of European executives said they were investing in AI to identify fraud, while just 29% said they were investing in other fraud prevention methods – both roughly 10 percentage points lower than respondents in the rest of the world.

30%

of European executives say they were investing in AI to identify fraud compared to

39% globally.



> **Fraud risk has historically been a significant risk and will unfortunately continue to be so. However, while companies have been investing in combating it over the years, new and very significant risks have emerged.**
>
> Enric Doménech, Head of Risk Advisory Services at BDO Spain

Those risks, such as regulatory upheaval, supply chain disruption, cyberattacks and geopolitical tensions, mean investment priorities have changed.

> **Fraud prevention is a concrete area to use AI successfully, with the massive amount of data that companies have and with the need to be efficient and effective in controlling and preventing the fraud.**
>
> Enric Doménech

The economic backdrop and the cost-of-living squeeze are also potentially increasing the risk of occupational frauds such as embezzlement, said Markus Brinkmann, Head of Global Forensic, Risk and Compliance at BDO Germany.

In this environment, organisations need to take a fresh approach to risk management that is more dynamic and in tune with a company's commercial objectives.

> **The traditional way of looking at risk is to identify risks and ask, "how can we address them?" said Claessens. But actually if you start from the business model of the organisation and see what the main value drivers are and the risks impacting those, then it becomes much more effective for the business and how it functions.**
>
> Koen Claessens

Therefore, organisations must take steps to rebalance their focus from a compliance-led mentality to a more proactive approach that looks at the real risks businesses are facing to find opportunities and safeguard long-term operational performance.

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