insights

Building an ERM Framework

That Saudi Family Businesses Will Actually Use

The most effective enterprise risk management model is not the most comprehensive. It is the one that reflects how the business is governed, managed, and grown.

2026

Why Traditional ERM Frameworks Fall Short in Family-Owned Groups

Saudi family businesses are not a niche segment of the economy. They are the economy. Yet as these groups diversify, institutionalize, and prepare for succession or listing, the risk profile they carry today looks nothing like the one their founders managed.

THE SAUDI CONTEXT IN NUMBERS

Indicator	Latest Figure	What It Means for Risk Leadership
Share of Saudi companies that are family-owned	**95% (≈633,000 firms)**	Governance quality in this segment is a national economic variable, not a private matter
Contribution to Kingdom GDP	**≈27%**	Concentration risk in a single group can carry sector-level consequences
Share of the private sector	**63%**	Regulators increasingly expect institutional-grade risk governance
Survival to second generation	**30%**	Succession is the single largest uninsured enterprise risk
Survival to third generation	**12%**	Continuity planning must be embedded, not episodic
Saudi real GDP growth, Q1 2026	**3.0%**	Growth expands exposure faster than most control environments adapt
Fastest-growing activity, Q1 2026	Financial, insurance & business services **(5.4%)**	Capital-intensive expansion raises regulatory and counterparty exposure

Sources: *INSEAD Knowledge (June 2026); KPMG Saudi Arabia (2026); GASTAT Q1 2026 national accounts.*

Many organizations respond to this complexity by importing an international standard wholesale. Implementation then stalls, not because the standard is flawed, but because it was introduced without regard for how the family actually makes decisions, how authority is delegated, and how quickly the group moves.

The 2026 Evidence: Risk Awareness Is High, Integration Is Not

The seventeenth annual State of Risk Oversight study, conducted with 331 executives and board members in the second quarter of 2026, confirms that the gap is not awareness. It is application.

2026 Finding	Result	Leadership Implication
Executives reporting that risk volume and complexity rose over five years	**69%**	The environment changed faster than the operating model
Organizations that experienced a significant operational surprise in five years	**74%**	Preparedness and resilience remain under-tested
Leaders saying geopolitical uncertainty affects their business model or strategy	**72%**	External shocks now shape strategic, not only operational, choices
Organizations describing risk oversight as mature or robust	**30%**	Seven in ten have headroom to improve
Organizations with a formally articulated risk appetite in strategic planning	**29%**	Most boards approve strategy without stated risk boundaries
Leadership teams explicitly considering risks five to ten years ahead	**22%**	Long-horizon threats to core business drivers go unexamined
Executives who say risk management is a competitive advantage	**11%**	The value case is still unproven inside most organizations

Sources: *NC State University ERM Initiative & AICPA, The State of Risk Oversight, 17th Edition, September 2026 (n = 331).*

WHAT BOARDS ARE PRIORITIZING GLOBALLY IN 2026

The Institute of Internal Auditors surveyed more than 4,000 chief audit executives and directors across 131 countries for its 2026 Risk in Focus report. The top five priorities were:

- **CYBER SECURITY** — 73% of respondents—1 risk for the fifth consecutive year
- **DIGITAL DISRUPTION** — 48%
- **BUSINESS RESILIENCE** — 47%
- **HUMAN CAPITAL** — 43%
- **REGULATORY CHANGE** — 41%

Sources: *IIA Risk in Focus 2026, via Wolters Kluwer governance analysis (April 2026).*

EXECUTIVE INSIGHT

> *The success of enterprise risk management is determined less by the model an organization adopts and more by whether leadership uses it to make better decisions.*

Five Leadership Priorities for a Practical ERM Framework

These five priorities move an organization from documentation to decision quality. Each is paired with a leading practice and a 2026 benchmark.

1. ALIGN RISK MANAGEMENT WITH BUSINESS STRATEGY

Risk management should support strategic objectives rather than run as a parallel compliance exercise. In 2026, only 29% of organizations have formally articulated risk appetite within strategic planning, and just 11% describe risk management as a source of competitive advantage.
Leading practice: embed risk discussion into strategic planning cycles, capital allocation decisions, and quarterly business performance reviews, using a board-approved risk appetite statement as the reference point.

2. STRENGTHEN GOVERNANCE BEFORE EXPANDING CONTROLS

As family groups grow, informal decision-making stops providing sufficient oversight. Clear governance structures produce faster and more consistent risk-informed decisions than additional control layers do. The 2026 evidence is blunt: 74% of organisations have absorbed a significant operational surprise in the past five years.
Leading practice: define governance responsibilities, delegation of authority thresholds, escalation routes, reporting lines, and board or audit-and-risk-committee oversight for each principal enterprise risk.

3. FOCUS ON THE RISKS THAT GENUINELY MOVE THE BUSINESS

Comprehensive risk registers are expensive to maintain and rarely improve decisions. Prioritization beats completeness.

Risk Domain	2026 Benchmark	Why It Belongs on the Board Agenda
Cybersecurity	Ranked the top risk globally for a fifth year **(73% of 4,000+ CAEs); 96%** of audit plans include cyber assurance	Now a governance obligation in the Kingdom, not an IT matter
Third party & supply chain	Supply chain disruption sits in the global top ten enterprise risks	Vendor failure transmits directly into revenue and reputation

Risk Domain	2026 Benchmark	Why It Belongs on the Board Agenda
Regulatory & data protection	PDPL penalties: **SAR 5M**; NCA & CST penalties: **SAR 25M**; 72-hour breach notification required.	Non-compliance is a quantifiable balance-sheet exposure
Strategic & geopolitical	**72%** say geopolitical uncertainty affects the business model	Shapes expansion, sourcing, and partner selection
Financial & liquidity	Average main-market IPO size has moved past **USD 1 billion** in 2026	Capital events demand audited risk and control evidence
Strategic & geopolitical	**63%** of breached organisations had no AI governance policy; only **37%** had approval mechanisms	AI adoption is outpacing the controls around it
Succession & key person	Only **30%** of family businesses reach the second generation	The highest-impact risk is usually the least documented

Sources: *IIA Risk in Focus 2026; Gartner 2026 Audit Plan Hot Spots; Aon Global Risk Management Survey; NCA/SDAIA regulatory guidance 2026; NC State ERM Initiative 2026.*

Leading practice: maintain a short principal-risk list of ten to fifteen items owned at executive level, each with a quantified tolerance, a named owner, and a defined escalation trigger.

4. EMBED RISK INTO EVERYDAY DECISIONS

Risk management creates value when it sits inside daily business activity rather than an annual reporting cycle. The direction of travel in 2026 supports integration: 53% of organizations now manage cyber risk jointly with enterprise risk rather than in an IT silo, and 62% describe their posture as proactive.

Integration points that deliver the fastest return:

Budgeting and capital allocation
risk screening before commitment, not after approval

Procurement and vendor onboarding
due diligence, concentration limits, and contractual risk transfer

Projects and capital expenditure
stage-gate risk reviews tied to release of funding

Acquisitions and joint ventures
standardized risk assessment in the investment paper

New markets and product lines
scenario testing before entry

Leading practice: make a one-page risk assessment a mandatory attachment to every investment, procurement, and major operational paper submitted to the executive committee.

5. PREPARE FOR THE NEXT STAGE OF GROWTH

Whether the objective is regional expansion, attracting institutional investors, professionalizing governance, or listing, risk maturity is what gives leadership and stakeholders confidence. The Saudi capital market makes this concrete.

Capital Market Indicator	Position	Readiness Implication
Companies listed on Tadawul Main Market	**269 (as at 1 Jan 2026)**	A deeper peer set raises governance benchmarking
Companies listed on Nomu Parallel Market	**116 (as at 1 Jan 2026)**	A realistic first step for mid-sized family groups
IPOs priced, Jan 2025 – Mar 2026	**43 offerings raising ≈ USD 14.8 billion**	Investor scrutiny of risk disclosure is intensifying
Expected 2026 full-year listings	**Potentially 30 or more**	Competition for investor attention is rising
CMA target for listed companies	**Doubling by 2030)**	A structural window for family-group listings
NCA Class A thresholdcompanies	**250+ employees or SAR 200m+ revenue**	Independent cybersecurity audits become mandatory

Sources: *Baker McKenzie Cross-Border Listings Guide (February 2026); Invest Riyadh IPO analysis (March 2026); CMA and Tadawul disclosures; NCA 2026 controls guidance.*

Leading practice: review risk governance annually against strategy, operating-model changes, and regulatory expectations, and lift maturity twelve to eighteen months ahead of any planned capital event.

ERM Maturity:

WHERE DOES YOUR ORGANIZATION SIT TODAY?

Use this benchmark in a board session. The objective is not to reach stage five. It is to reach the stage that matches your ambitions for the next three years.

Stage	Characteristic	Typical Evidence	Decision Quality
1. Reactive	Risk handled after events	No register; insurance-led response	Decisions made on instinct
2. Compliance-led	Risk equals audit findings	Register exists, rarely used	Risk noted, not weighted
3. Structured	Defined process and owners	Register, heat map, quarterly reporting	Risk discussed at board level
4. Integrated	Risk informs strategy and capital	Appetite statement, risk-adjusted business cases	Risk shapes decisions
5. Value-creating	Risk is a source of advantage	Scenario planning, quantified tolerances, forward risk horizon	Risk creates optionality

Benchmark: *only 30% of organizations globally describe their risk oversight as mature or robust (NC State ERM Initiative & AICPA, 2026), placing most at stage two or three.*

The Better Question:

WHAT DECISIONS SHOULD RISK MANAGEMENT IMPROVE?

Most organizations begin by asking which standard to adopt. That question produces a document. A more valuable question produces a capability.

INSTEAD OF ASKING:
"Which ERM framework should we adopt?"

ASK:
"What decisions do we want our risk capability to improve, and by when?"

International standards offer valuable guidance. Successful implementation, however, depends on aligning governance, leadership behavior, and organizational culture with business objectives. For Saudi family businesses, the goal is not sophistication. It is a practical capability that supports sustainable growth while preserving the agility and entrepreneurial instinct that built the enterprise.

How Insights Strengthens

ENTERPRISE RISK MANAGEMENT

At Insights Financial & Management Consulting, we design and implement practical risk capabilities aligned to governance, strategy, and business objectives.

Service	Outcome for Leadership
ERM framework design and enhancement	A risk architecture sized to your governance model, not a borrowed template
Enterprise-wide risk assessment	A prioritized principal-risk list with quantified impact and named owners
Risk appetite and risk governance	Board-approved tolerances that make delegation and escalation unambiguous
Board and executive risk reporting	Concise reporting that connects risk movement to strategic objectives
Risk and control assessment	Evidence that controls operate, not merely that policies exist
Integration with internal audit, BCM, governance, IPO readiness & compliance	One assurance view across NCA, SDAIA/PDPL, CMA and sector obligations

The approach moves organizations beyond compliance by embedding risk-informed decision-making across the enterprise and supporting sustainable growth.

Executive Takeaway

- Risk management should not be measured by the number of risks documented or policies issued.
- Its value is measured by the quality and speed of the decisions it enables.
- With 69% of executives reporting rising risk complexity and only 30% describing their oversight as mature, the gap between exposure and capability is the opportunity.
- Organizations that build practical, business-aligned capability are better positioned to navigate uncertainty, strengthen governance, and create long-term

The strongest ERM framework is not the one with the most controls. It is the one leaders trust when making their most important decisions.

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Contact Us

Please contact us for a tailored consultation and let us partner with you to enhance your financial reporting and compliance.

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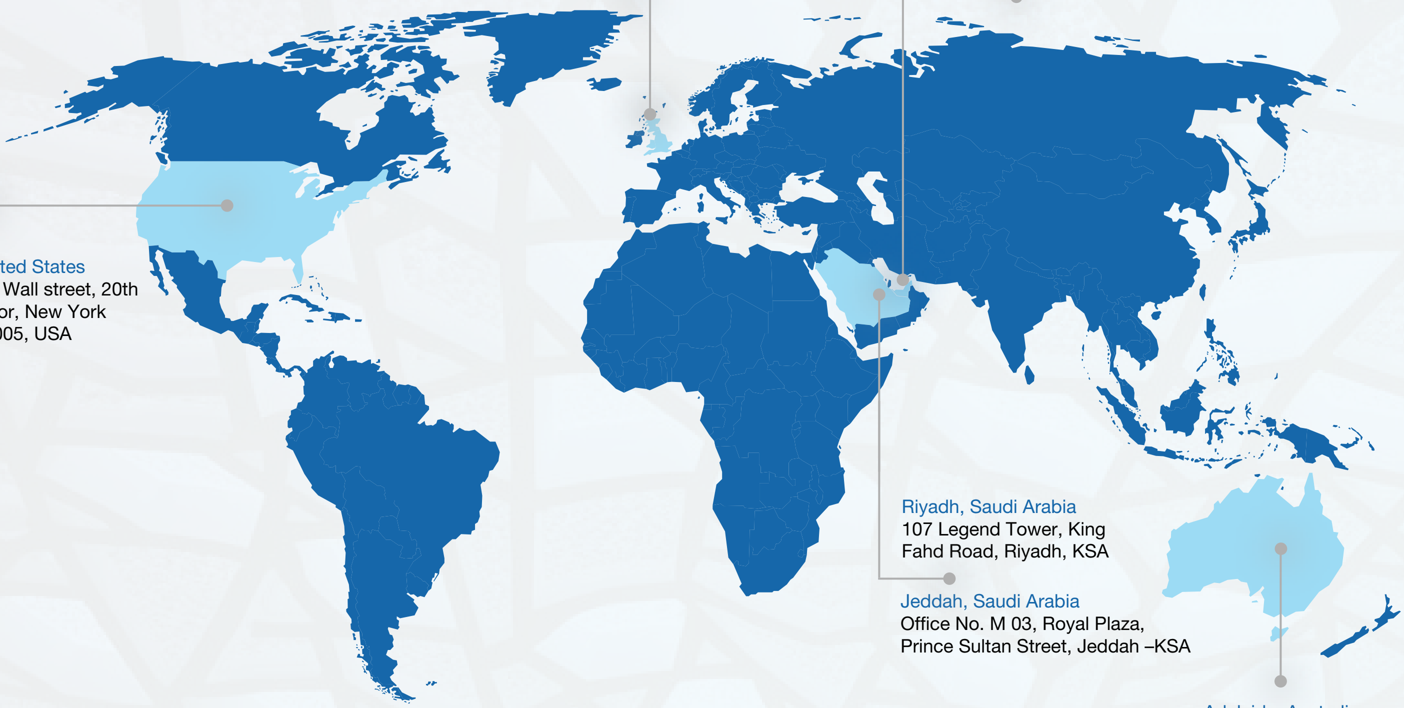

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Navigating Complexity, Simplifying Success