



## APAC

### BDO's Global Risk Landscape Report 2024



#### AI in APAC: diverging risk challenges

There is no doubting the impact of AI on business over the past year. However, the risk appetite for the technology differs substantially across regions. In Asia-Pacific, for example, it is viewed as a substantial risk.

Some 32% of APAC business leaders say the evolution of AI poses a threat to their organisations, with just 5% of businesses in the region engaged in significant use of AI for risk management. By contrast 17% of business leaders in the Middle East reported significant use of AI for risk management.

The nature of that concern also varies within the APAC region. Different countries often have diverging views on AI coloured by cultural perceptions and domestic risk challenges.

This can be illustrated by looking at two very different examples: Australia and Hong Kong. In Australia, three challenges are holding businesses back from embracing AI, says Marita Corbett, National Leader for Risk Advisory at BDO Australia.

Chief among those is an AI skills shortage in the country, which limits the ability to properly utilise the technology.

"It's not just a skill, it's the end-to-end lifecycle of AI and that integrated skill set," she says, "so right from strategy and design concept to user case and the integration of AI. The integration of AI is more than just a tech person writing code. The actual integration is where the skills are wanting."

Another impediment is Australia's strong worker protection commitments and concerns that AI could oust humans from the workforce and increase unemployment.

"In Australia, there are schools of thought that AI will free people up to do valuable work. But there is a fear that AI will take away some jobs, so there's an industrial relations element to that."

Australia is also a laggard when it comes to adopting new innovation and actively seeks to avoid the costs and risks associated with being first adopters, Corbett says.

"There is a conservative element at play," she says, a willingness to let others do the initial investment and research and learn from them. "There's cultural conservatism around relying on AI to make decisions when it's still a little bit too unfounded."

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# 32%

of APAC business leaders say the evolution of AI poses a threat to their organisations.

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# 25%

of APAC leaders believe the evolution of AI will make it more difficult to secure their organisations against cyberattacks.

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# Just 5%

of businesses in APAC engaged in significant use of AI for risk management.

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# 67%

of APAC leaders say their organisation has plans and processes in place to defend against AI-enabled fraud.

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“If your competitors are using AI but you are not, you are now put at a competitive disadvantage and you may not be able to compete”

**Ricky Cheng**  
Director and Head of Risk  
Advisory at BDO Hong Kong

Underscoring that conservatism, the Australian government in January said it was considering laws to regulate AI in areas such as law enforcement and autonomous vehicles. A survey from Ready Research and the University of Queensland published in March found that 80% of Australians believe AI risk is a global priority on par with pandemics and nuclear war.

When we look at Hong Kong, AI risk takes on a different form. A quarter of APAC leaders believe the evolution of AI will make it more difficult to secure their organisations against cyberattacks, with 67% of leaders saying their organisation has plans and processes in place to defend against AI-enabled fraud.

That is a common cause for concern in Hong Kong, which has experienced a surge in cyber breaches of late. For instance, almost three quarters of Hong Kong businesses said they had suffered a cyberattack in the past year, the South China Morning Post reported in November 2023.

“The reason why there is a concern about cyber threats is because of the application of AI and also technology development in the financial sector, with many financial institutions deploying AI solutions in operations,” says Ricky Cheng, Director and Head of Risk Advisory at BDO Hong Kong.

Those AI systems are used for such purposes as background checks on customers. They collect enormous amounts of personal information, which could in turn make them prized targets for cyber criminals trying to harvest that data.

AI is also being adopted by hackers to carry out scams: for instance, using the technology to impersonate someone to con unsuspecting members of the public into handing over money or personal information.

“Individuals are being tricked to transfer their money to some unknown third party, so these individuals are not well educated on some of the latest tech, such as phishing or deep fake AI,” says Cheng. “Hackers nowadays are very advanced with the emergence of deepfake technology that heightens the likelihood of a social engineering attack.”

Advances in quantum computing also pose a risk to financial institutions because it enables hackers to crack conventional encryption, says Cheng.

Some people in Hong Kong also have concerns about the unethical use of AI, whether that is personal data being used to train AI models or AI being used for illegal purposes. This is adding to risk sentiment. Amid these concerns, UNESCO has published a series of ethical guidelines around using AI responsibly.



“It’s generally promoting how people should use it properly without negatively impacting others and not threatening the national security of countries,” Cheng says.

Hong Kong’s AI-related concerns are also tied to wider challenges, such as geopolitical tensions and US trade restrictions on advanced computer chips being exported to China.

While AI poses unknown risks, an excessively timid approach may itself be a risk if competitors are moving ahead with AI adoption faster. Business leaders must adopt an antifragile approach to AI risk, taking advantage of hesitancy in others.

“If your competitors are using AI but you are not, you are now put at a competitive disadvantage and you may not be able to compete,” says Cheng.

“Your competitors may use AI for trawling through big data and identifying

consumer patterns and then use that to forecast future consumer trends, giving them an edge.”

Companies that use AI are therefore more likely to identify untapped opportunities faster than their competitors who have yet to invest in the technology. This is why taking an ‘antifragile’ approach to risk management is important for businesses that want to seek advantage in disruption. While many companies take a traditional risk management approach to AI – one that waits on the sidelines for more clarity on the risks that using AI may create – antifragile businesses can take a more nuanced view that balances broad AI risks with country-specific challenges and then seeks opportunities to gain a first-mover advantage.

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