

Enterprise Risk

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The official magazine of the Institute of Risk Management

Second front: IRM's initiative for ex-service personnel / **Face value:** facial recognition technologies / **Family fortunes:** IRM supports Indian family enterprises / **Business conscience:** the social role of risk management



Finding a safe haven: the world crisis in displaced people requires strong risk management, says UNHCR's Hanne Raatikainen

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About the IRM

The IRM is the leading professional
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Institute of Risk Management

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Developing risk professionals



Editorial



Protecting displaced people

The world refugee crisis has never been more acute than at present. With the war in Syria reaching a more intense phase, all eyes are on those people fleeing conflict in the region.

But that catastrophe is part of a bigger, slow-motion disaster that has been playing out over the past decade or so. With a decline in multilateral collaboration, with an increase in nationalism and protectionism, and with the spread of xenophobic rhetoric and fake news across the internet and social media, the picture looks bleak for over 70 million people displaced from their homes.

In response to these challenges, the United Nations has beefed up its risk management efforts at its refugee agency UNHCR. Its chief risk officer, Hanne Raatikainen, is not without hope, as she explains in our cover feature "Finding a safe haven".



Sometimes good risk management can save lives

Since 2016, agreements between the world's leaders have led to a more holistic approach to such disasters that has risk management at its core. That has led to UNHCR working more closely with organisations such as the World Bank than any time before. The central idea is UNHCR works from the outset with development agencies for a lasting solution to the immediate crisis.

Risk management's job is complex and difficult. Refugee projects are located in remote areas. Mismanagement, fraud and corruption and other potential problems must be detected early and dealt with. UNHCR is dealing with these challenges by embedding a risk management culture throughout its global staff of over 17,000 people.

Sometimes good risk management can save lives. In some respects, those serving in the military face similar problems – and although they do not generally refer to their work as risk management, that is what it is. Peace keeping, helping with aid work, and managing logistics and people are their bread and butter.

IRM's recent decision to sign the Armed Forces Covenant paves the way for those coming out of the military to choose a career in risk management. Our feature "Second front" talks to some of those who have already taken that route – and provides a direction for others considering such a move.

Arthur Piper

Editor

Operational resilience



Have risk functions detected the opportunities presented by operational resilience?

BY GARY LYNAM

Over the past ten years, consumer banking behaviours have significantly changed. Today, the majority of customers engage banks via digital channels. The change has pushed the resilience of digital-led services under the microscope.

During this transformational shift, multiple high-profile incidents have transpired, often linked to digital services, bringing scrutiny on the operational risk function. The media has ensured customer impact has been front-page news while highlighting the bank's struggle to effectively manage recovery plans.

Shifting the organisational mindset

The well-worn cliché “prevention is better than cure” is as true now as ever. Focusing on understanding the root cause of a risk and maximising preventive and early detective controls is critical. This has quite rightly remained a focus of good risk management. However, even good risk management can only achieve reasonable assurance that major incidents can be avoided; there is no guarantee.

The new approach requires a shift in organisational mindset. Firms need to start from a position of “assuming failure” and demonstrate how quickly recovery plans can be executed for critical services under extreme stress including defining impact tolerances for such events.

Adding vigour to existing risk processes?

While risk appetite focuses management attention on managing the likelihood of operational risks occurring, impact tolerances seek to increase management focus on operational resilience before operational risks have crystallised.

An opportunity may exist for risk functions to introduce impact tolerances to the traditional risk-evaluation matrix. This integration could also enhance the Risk Control Self-Assessment (RCSA) process, which is under pressure to be more efficient and informative. Linking the two methodologies could drive board engagement and assist the risk function's engagement with the business.

Navigating the critical path

Effectively delivering resilience outcomes will require skilled collaboration. This presents an opportunity for the

risk function to demonstrate depth of existing knowledge gained from historical scenario analysis and oversight of incident management. We must also consider and prepare for some of the key challenges when implementing:

Access denied(!): Detailing process flows in any firm, especially large and complex firms, is difficult. Validating process design can require multiple iterations; this exercise may be frustrated by components of the process which are not under direct control (i.e. cloud data services).



The new approach requires a shift in mindset

Visualisation is essential: Boards and senior management will require an integrated view of resilience outputs (i.e. tolerances). Dashboards should be able to connect impact tolerance and scenarios to the risk appetite statement and other risk components, such as KRIs.

Beware of bias:

The Financial Conduct Authority (FCA) has said that firms may be guilty of “ostrich bias”, ignoring dangerous or negative information associated with incidents. Firms must be prepared to challenge the various biases which scenario setting can contain.

We live in a world of increasing uncertainty on a global scale, whether from extreme weather events, global pandemics or a targeted cyberattack. Due to globalisation and change in customer behaviours, the impact from these events on organisations is ever increasing. Operational resilience is therefore becoming a key component of enterprise risk management, the “cure” when prevention fails. ☞



Gary Lynam is director of risk advisory Protecht Group, UK and Europe. www.protechtgroup.com



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It may not be called risk management on the ground, but for military personnel, managing difficult situations is a daily reality. IRM's decision to sign the Armed Forces Covenant aims to help more ex-service personnel to thrive in the risk profession

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Facial recognition technologies present both technical and moral issues for the organisations that use them

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Family businesses and small companies are powering the Indian economy. An initiative by IRM aims to help them get a better grip on risk management

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Risk professionals have a key role to play in supporting the modern organisation take its share of responsibility for managing risks to society

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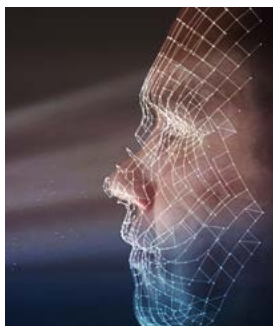
In need of insurance services, risk management software and solutions, or training? Look no further than our listings

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While artificial intelligence companies are ploughing millions into reading facial emotions, some psychologists remain sceptical



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It looks at how appropriate risk management tools and techniques can be applied, adapted and developed in an increasing digital context. The qualification also provides a broad understanding of SCRM principles and practices. The relevance of the qualification is explained in the context of increasingly extended organisations facing an expanded range of complex interconnected risks.

What our experts say



Robert J Trent PhD
Professor of Supply Chain Management, Lehigh University

"Far too many companies gain an appreciation of supply chain risk only after suffering directly the adverse effects of risk. This certificate provides people with the knowledge, concepts, and tools to enable them to become a valuable part of their organisation's efforts to survive and prosper in an ever changing world."



Nick Wildgoose
Independent Supply Chain Risk Consultant

"There are supply chain disruption and reputational incidents happening every day, that could have been better managed to drive value. This new qualification will help learners develop a clear understanding of supply chain risks, and the tools and technology which can help organisations stay protected."

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Developing risk professionals

Building on strength



IRM has been through a period of rapid growth and change over the last few years. Incoming chairman Iain Wright explains his aspirations for the future of the profession

As this is my inaugural column for IRM as chair I'd like to thank outgoing chair Socrates Coudounaris for his unerring work in this post over the last couple of years.

I am in the fortunate position of being able to build on the good work done by the chief executive officer, staff and the immediately preceding chairs in stabilising the Institute's financial position, building a strong board and starting the next phase of our growth. We are now in a position where we can capitalise on that financial strength to drive towards fulfilling the Institute's vision.

Here are my four priorities:

1. A focus on the heart of the Institute – in particular, qualifications, training and thought leadership, really fulfilling our role as the pre-eminent global risk management body.
2. Integration of the Institute of Operational Risk, which joined the IRM group in 2019.
3. Having received members' approval to change the Articles at the 2018 AGM, exploring whether now is the right time to move to a "professional" chair.
4. Leading the board in exploring whether it is right to move to charitable status for IRM, which would naturally involve approval from the membership.

IRM is at an exciting time in its history, where we can look forward and really make our mark.

We will be increasing the diversity and content of our product portfolio, in both qualifications and training. I am particularly keen to see the Institute continue to operate in global markets and expand internationally.

I aim to lead the board with vigour and commitment through this next stage. During Socrates' term we have gone from strength-to-strength, and I'm looking forward to continuing his good work and playing a key part in professionalising risk management globally.


In addition to the leading qualifications in Enterprise Risk Management in the insurance sector, the IRM International Certificates, we also have launched our new Supply Chain Risk Management Certificate; this has been developed with the Supply Chain Risk Management Consortium.




IRM is at an exciting time in its history, where we can look forward and really make our mark

This qualification introduces the concepts of supply chain risk management and equips risk practitioners with the ability to apply their risk management knowledge in a world where value is increasingly added via a supply chain. It explains how globalised outsourcing, specialisation and just-in-time production are changing the risk environments for many organisations. It looks at how appropriate risk management tools and techniques can be applied, adapted and developed in an increasing digital context. The qualification provides a broad understanding of supply chain risk management principles and practices – a valuable asset in any risk manager's toolkit.

IRM is also continuing to lead debate about risk globally. Carolyn Williams, our director of corporate relations, has written another article in this issue about our most recent publications and events and about our ongoing projects with our partners around the globe.

I am looking forward to working with our team and members to further professionalise risk management during my tenure. 

 Iain Wright is
IRM chairman.

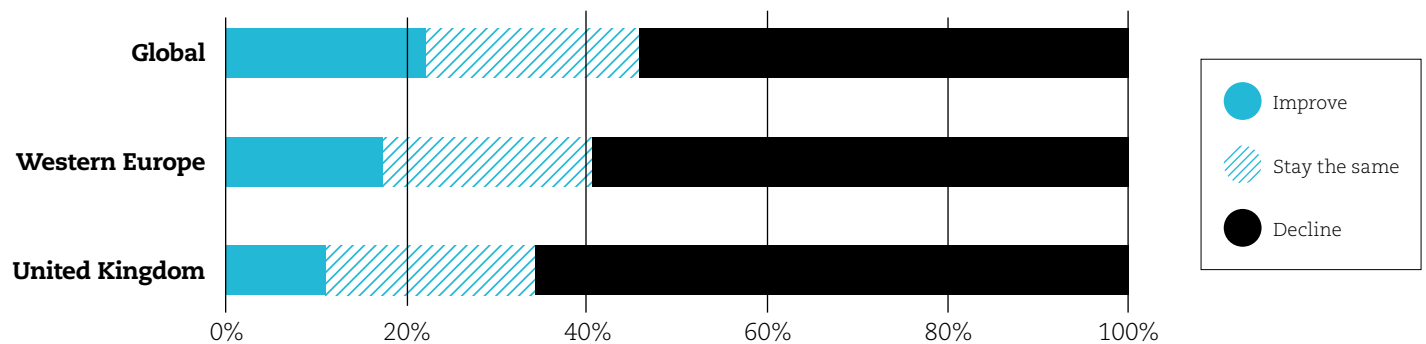
The latest stories and news affecting the wider business environment as interpreted by our infographics team

British chief executives top gloom register



Business confidence drops in 2020, especially in the UK

Do you believe global economic growth will improve, stay the same or decline over the next twelve months?



Source: 23rd annual global CEO survey, PWC

Cyber threat edges into lead position among risk managers

Top risks by ranking among risk managers in 2020



39%

Cyber incidents



37%

Business interruption, including supply chains



27%

Changes in legislation and regulation



21%

Natural catastrophes



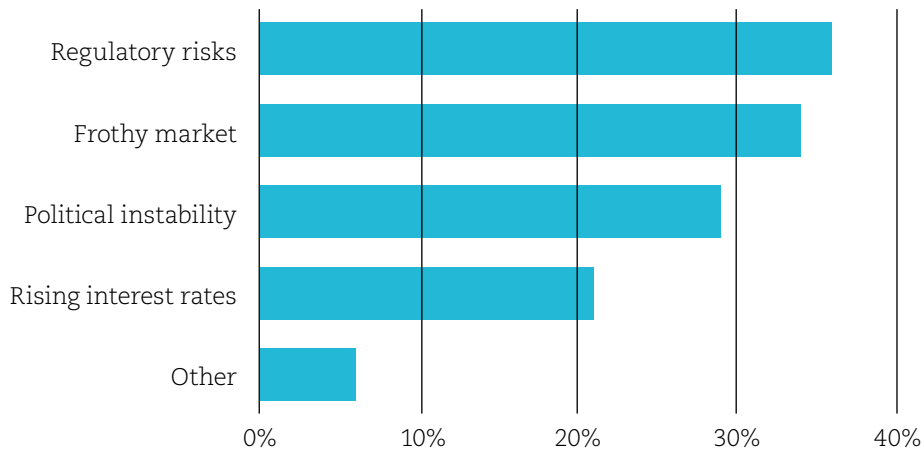
21%

Market developments

Source: Allianz Risk Barometer 2020

Infrastructure investors fret over regulatory risk

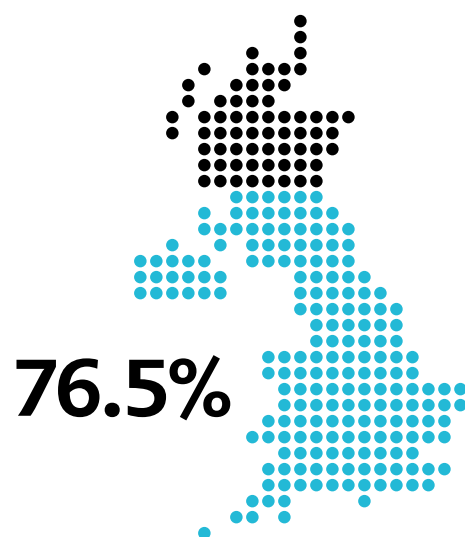
Regarding the performance of your infrastructure investments, which factor concerns you the most?



Source: Infrastructure investor, Perspectives 2020

UK employment rate at record high

The UK employment rate was estimated at a record high



Estimated vacancies in the UK for November 2019 to January 2020

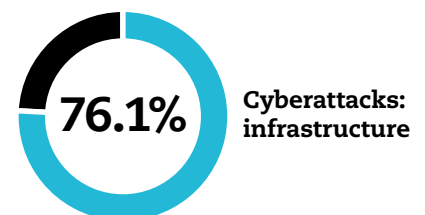
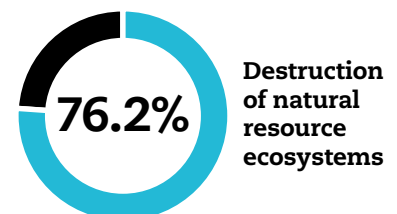
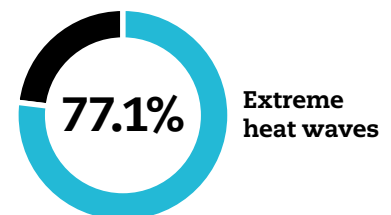
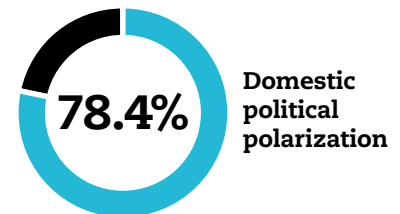
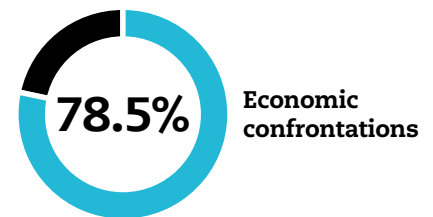


810,000

Source: Labour market overview, UK: February 2020, Office for National Statistics

World Economic Forum short term risks

Percentage of respondents who think a risk will increase in 2020



Source: The Global Risks Report 2020, World Economic Forum

Finding a safe haven

Dealing with the world's crisis in displaced people involves strong risk management, says Hanne Raatikainen, chief risk officer at the UN Refugee Agency UNHCR

..... BY ARTHUR PIPER

There are 70.8 million people on the planet who have been forcibly displaced, more than at any time since the Second World War. That includes around 41.3 million who have left their homes but not their countries, just under 26 million refugees and 3.5 million asylum seekers, according to the UN Refugee Agency UNHCR. Over half of all refugees (57 per cent) have fled just three countries – Afghanistan, South Sudan and Syria – and 85 per cent of refugees globally who make it out of danger are hosted in low- or middle-income regions in the developing world. Turkey, Pakistan, Uganda, Sudan and Germany are the top destinations.

Since 2017, when UNHCR set out its five-year strategic vision to help tackle this growing phenomenon, the global environment for displaced people has worsened both in scale and complexity, says Hanne Raatikainen, chief risk officer at the agency. It can be difficult for the refugee-hosting countries to cope with the sheer volume of people seeking shelter – Turkey, for example, is currently home to an estimated 3.7 million people fleeing war in Syria and elsewhere. In Africa's Sahel region, the situation is rapidly worsening. In Burkina Faso, for example, attacks by militants have been forcing a daily average of more than 4,000 people to flee their homes and search for safety since January this year. So far, some 765,000 people have already been displaced in the country.

"The whole environment is just so challenging," she



UNHCR's high commissioner, Filippo Grandi, has been calling for renewed efforts to reinvigorate multilateralism





Image credit: © UNHCR/Susan Hopper



Where countries have a commitment to allowing refugees to work, for instance, or allowing refugee children to take part in the national schooling system, there is progress

says. “We try to remain present in these very difficult, high-risk locations, and sometimes we are in situations where you don’t really have solutions in sight. However, we always try to help, even in the most challenging circumstances.”

Multilateral crisis

This increase in need has been compounded by challenges to the global multilateral system. That is why the UNHCR’s high commissioner, Filippo Grandi, has been calling for renewed efforts to reinvigorate multilateralism to both curb the number and nature of conflicts and to help people return home safely. The rise of nationalism in Europe and elsewhere has not helped, charging the language of politics, which he said, had “become ruthless, giving licence to discrimination, racism and xenophobia”.

Some member states have become more reluctant to take in and

support refugees in this climate. But Grandi has been a strong advocate of risk management (more about which later), not just to better deal with crises and protect its 17,000 members of personnel working in over 130 countries, but to ensure that the agency seeks out and maximises opportunities for the forcibly displaced, wherever possible.

Agreements

That has meant working to build international co-operation and support for refugees and migrants through a new series of global arrangements. In 2016, the ball started rolling with a declaration by states to renew their commitment and solidarity with displaced people, including a reaffirmation of obligations to respect the rights of refugees and to pledge financial support. Out of this so-called New York Declaration came the Comprehensive Refugee

Response Framework (CRRF), which is being implemented now and is changing the way UNHCR operates – placing more emphasis on partnerships with others.

A further milestone was achieved in December 2018, when the United Nations General Assembly affirmed the Global Compact on Refugees that builds upon the CRRF and presents a framework for more predictable and equitable responsibility-sharing, recognising that a sustainable solution to refugee situations cannot be achieved without international co-operation. A year later, the first-ever Global Refugee Forum took place in Geneva, drawing 3,000 participants from across the world to pledge support to the millions of refugees uprooted by wars and persecution and the communities that host them.

“It’s a new challenge for us because it means working in a very different way, not just among humanitarian actors but by engaging more development actors to share responsibilities and burdens,” Raatikainen says. As well as co-operating with actors such as the World Bank, civil society and the private sector, each initiative now aims to tackle what used to be called the humanitarian-development gap. In the past, when the initial emergency was over, aid agencies struggled to sustain a response as humanitarian funding declined, while host countries and communities struggled to address development challenges that had often deepened as a result of the refugee presence. Now, the aim is for the various actors to move in at the same time and start building for success from the beginning.

That has also entailed trying to

empower refugees by increasing their self-reliance and autonomy and, above all, finding what Raatikainen calls “durable solutions”. Those include local integration where refugees are unable to return home, voluntary repatriation when the conditions improve in their homelands, and resettlement where vulnerable refugees are transferred from a state where they have sought protection to third countries. Resettlement has, however, become increasingly challenging due to the limited number of places available compared to the number of those in need of resettlement. With some 900 pledges in the current framework, Raatikainen is pragmatic.

“There is an element of learning and seeing what good practice on refugee issues we can transfer from one country to another,” she says. “The most important pledges, in my view, are those that have a commitment to allowing refugees to work, for instance, or allowing them to move on in life, or allowing refugee children to take part in the national schooling systems.”

Difficult working environments

But the recent pledges that have come out of the New York initiative and its unfolding development are only as effective as the situation on the ground allows. While there may be political will within a country’s government, in reality they may have little control in some areas of their territory. In practice, it can mean that UNHCR staff have to operate under increasingly difficult working environments and face threats for both the persons of concern that they are aiming to protect as well as for themselves. In some cases, international agency workers have had to leave a country and work remotely.

As well as working with different types of agency, donors are becoming more demanding about how transparent and accountable UNHCR’s operations are. News and misinformation travel fast on social media, which means the agency must be able to respond in a timely and effective manner when risks materialise. Many projects take place in remote areas, often with

poor transport infrastructure, or in war zones, and this increases the risk of fraud or malpractice. Donors are aware and keep a close eye, which is understandable. The agency needs to adjust to this new additional dimension that was not so prevalent five or ten years ago. “This is why we strive to further strengthen accountability and good management practices,” says Raatikainen. “Efforts are also taken to continuously improve the way in which the organisation is responding to identified risks – and here technology and innovation play an important role,” she adds.

Risk Management 2.0

Raatikainen joined UNHCR as chief risk officer (CRO) in 2018, partly to help implement the Risk Management 2.0 initiative that the agency had launched in late 2017. The CRO role had been created in 2014 as part of a unit of two risk professionals, and it was still only a three-person

operation when she joined. When she took up her role, she found that UNHCR had a solid foundation in place: risk policy had been approved, and a risk framework and a risk management tool developed; there were risk management processes that people had started to follow, an e-learning programme in place and some face-to-face training for staff.

But Risk Management 2.0 was about creating a culture of risk throughout the organisation. The initiative’s architect, Grandi, said he wanted the department to expand in order to focus more on integrity-related risks, including fraud and corruption, potential risks for diversion of aid and risks linked to potential misconduct. The ultimate aim was to enhance the programme delivery of UNHCR.

Some people said that risk management was already doing a good-enough job, but Raatikainen agreed that it could do better. “When we are in these often emergency situations, dealing with massive



Above: Zambia. Raatikainen with Towa Chaiwila, associate protection officer from UNHCR’s Field Office in Solwesi, visiting refugees with special needs in the Meheba refugee settlement



Image credit: © UNHCR



The risk department under Raatikainen has been through a rapid period of investment, growth and restructuring

The risk department under Raatikainen has been through a rapid period of investment, growth and restructuring. There are now nine risk experts at UNHCR's head office – two of whom are designated roving risk advisers. That means they spend most of their time in the field, where about 90 per cent of the agency's staff work. She has also been helping to build risk management capacity into the first line of defence in operations facing the highest levels of risk, such as Libya, Afghanistan, Sudan and Kenya operations. That has led to the recruitment and deployment of 11 risk advisers in country operations whose job it is to bring risk management to the core of the project. They do this by working with senior managers in the operation who are not risk experts but have a risk focus.

“The risk advisers in country operations have a core role in awareness raising, training, helping with the risk analysis and working with country representatives who are the risk owners, and accountable for putting in place measures to

treat the risks,” she says. “They are there to support and bring people together.” That entails bringing good practice into the country to address key risks, helping with root-cause analysis, identifying controls and systematically helping to integrate them into the operation. “In a few years’ time, they should be working themselves out of the job,” she says. It is not without challenges – not least because they are due to rotate every two years if they are based in duty stations such as South Sudan. But they are supported by seven regional senior risk advisers based in UNHCR's Regional Bureaux, acting as a second line of defence to both give support and provide some continuity. Finally, in addition to in-situ and regional risk advisers, the organisation also has about 200 risk focal points – at least one in each country operation and headquarters’ division – who deal with risk management in addition to their core responsibilities. They have all been trained by Raatikainen's team. This structure forms UNHCR's risk network.

Risk network

Since the network is meant to promote a much stronger culture of risk across the agency, Raatikainen has focused on an enterprise risk management (ERM) approach. That has meant bringing in people from all functions in the organisation to share experiences, brainstorm on risk and come up with solutions. “Everywhere I go, I talk about the ERM approach,” she says. “There has to be really a strong risk management culture in all of our operational and management areas, in every single location. The greatest challenge for us is indeed that we are so big and we are so decentralised.”

Raatikainen has first-hand experience of what that means from her missions to the field. “During discussions on the prevention of sexual exploitation, abuse, corruption, what's right and wrong, you have to underline that what happens here in your field office could actually have an impact on the whole organisation,” she says. “That realisation requires a lot of walking and talking, but I still find risk management an easy sell when people start understanding it and when they

influx of refugees for instance, we are focused on the day-to-day activities and do not always take the time to take a good look at what's happening out of that context,” she says, “to understand what our risks are and to build all that into the culture of the organisation.”

Below: Jordan. Raatikainen with Stephen Gibson, a UNHCR senior risk management and compliance advisor based in Greece, in conversation with a Syrian refugee who is working in a community centre run by refugee women in the Za'atari camp



Image credit: © UNHCR/Shawkat Harfosh

“ There has to be really a strong risk management culture in all of our operational and management areas, in every single location

start engaging in discussions about their own risks and opportunities, and what they can do about them. Dialogue is important, and our risk network is crucial in ensuring that this dialogue takes place”.

Tools

The organisation uses a software tool to record its risk information and to share it across the agency. The mandatory annual risk assessment is linked to the organisation's planning cycle, and Raatikainen is trying to build momentum across the agency for people to review their risks on an ongoing basis. This is the second year her team jointly with operational colleagues has reviewed all of the risk registers in the organisation and, through dialogue between the different parts of the organisation, she believes that UNHCR now has a more robust reporting framework that people are able to use to improve their decision-making and controls.

The Risk Management 2.0 initiative is due to end this year. An independent risk management maturity assessment carried out in 2019 showed that the risk management system the organisation had adopted was well established and producing positive results. Raatikainen plans to speak with senior management soon to discuss where they want to see the risk maturity levels developing in the future.

Member states and donors have also become increasingly interested in risk management at UNHCR. “I think it's a hugely important thing for them. They need to be reassured that they can trust us, that we make

good use of their funds, that the funds go to the intended purposes and have a positive impact on the lives of refugees. We are here to serve refugees and other persons of concern in the most effective manner, and that is only possible with the continued support from our donors and member states”, she says.

Choices

Raatikainen became attracted to humanitarian aid work at UNHCR when she was posted to Geneva as part of her role with the Finnish Foreign Service some 20 years back. “The first time I visited refugee camps I understood the importance of the work of UNHCR and other humanitarian actors,” she says. She spent almost five years at UNHCR working with organisational development and management at HQ, collaborating closely with field operations, then moved to the World Health Organization (WHO).

Ten years at WHO strengthened her management skills and got her interested in risk management. “Risk management is a good management tool; it's actually part of good management, but we don't always do that properly,” she says. “We piloted a risk management initiative in WHO's administration back in 2010, and I had a chance to be closely involved in it.

Since then, I have tried to implement risk management principles in my daily work and have also further studied risk management”. Then an opportunity arose to start leading the team responsible for WHO's risk management globally, and Raatikainen took up the challenge.

But the pull of UNHCR brought her back. She was attracted by the seriousness with which it was investing in risk management, but also by being closer to the field and the persons of concern the organisation helps. Also, the job offered interesting challenges, such as being part of decisions that are complex and demand careful judgment calls that have a real impact on people's lives. In one recent case, a government asked UNHCR for help. That would have meant working with essential services companies that may have had links to human rights violations. “In such a situation, do we leave the country and accept that people may die? Or do we find a way of helping without compromising too much?” she asks. “In a humanitarian context it is not always easy to have very black and white answers. In making our decisions, we have to be aware of the risks and make the best possible choices, and also increasingly involve our stakeholders into these discussions.” There are always challenging discussions ahead. ☎



Above: Bangladesh. Rohingya refugees prepare for the monsoon by building new reinforced shelters with materials supplied by UNHCR

Risk management reporting



Why the sky is not always blue, and the grass is not always green

..... BY REBECCA COPE-LEWIS

How often have we heard the cry “I try to get engagement with my senior management team or board, but they don’t seem interested”? If this is the case, then perhaps we should look at how the information we convey in our risk management reports is presented.

I have had the pleasure over several years to read and write a good many risk reports. From both the reader and writer’s perspective I have in general found them to be too long, too detailed and often punctuated with the inevitable heat map (which I am convinced is sometimes only there to have something pretty to look at). Where data is provided, this often only shows negligible incremental improvement trends over the time period. As a reader, these types of reports dull the senses and do little to stimulate conversation. As a writer, it is demoralising to report on a subject that appears to have had so little traction since the previous reporting period. For the time a report can take to compile, this just seems absurd. For me, if a report takes more than a few hours to create, then you must ask yourself just what data you are collecting and why.

So, how do we go about providing risk reports that maintain the integrity of the information needed to make decisions but also capture the interest of the reader? And, more importantly, how do we ensure things happen as a result of that report that improve the risk journey your organisation is on?

Put yourself into your senior management’s shoes – Imagine you must read several reports in a short amount of time, all of which require you to make decisions or direct resources. For example, would you really need to read every month about a risk that is within tolerance where there have been no events that could impact on this risk just because it is on the principal risk register, or your top N risk table? Or would you rather read more information about the risks that are out of tolerance? Don’t make your report a ‘vanity’ report on risk management – give your audience something that they can act on and make a difference with.

Use tolerances, not raw numbers – How often do you

see reports with outstanding actions for mitigation plans? Nobody likes a to-do list, especially when presented month after month with data that tells them they have n number outstanding or X% >Y days. Not only is it monotonous, but it becomes just another list of stuff that managers must deal with. Look to introduce tolerance levels for outstanding items and set the tolerance levels in proportion to the action importance. Not only is this a risk-based approach, it is also pragmatic.



If a report takes more than a few hours to create, then you must ask yourself just what data you are collecting and why

League tables and segmentation – I used to present data for policies that had been attested vs those that had not – the usual 75 per cent complete, 25 per cent still outstanding, and month on month the outstanding number changed by microscopic amounts. Changing the reporting method by presenting the per cent completed by business unit instead meant that all eyes turned to the manager of the business unit that was at the bottom of the league table. The second time this was reported, all business units were at 100 per cent. Job done.

Changing how you report will not make the sky always blue and grass always green, but it should enable you to generate conversation, and that is a good route to improving risk management. ☺



Rebecca Cope-Lewis, DipQ MCQI, CQP, CIRM, is head of enterprise risk management at riskHive Software Solutions Ltd. www.riskhive.com

Second front

It may not be called risk management on the ground, but for military personnel, managing difficult situations is a daily reality. IRM's decision to sign the Armed Forces Covenant aims to help more ex-service personnel to thrive in the risk profession

..... BY ARTHUR PIPER



When Sarah Christman was in her early twenties, she was training to be a surface warfare officer on USS *Rushmore*, a landing ship dock carrying 300 sailors and roughly the same number of US marines. She was responsible for driving the ship, taking care of it when it was in port and getting the marines onto a beach shortly after air support had ended, if the need arose. A few years later, she was finishing her nuclear qualifications on an aircraft carrier deployed in support of Operation Noble Anvil and Operation Southern Watch.

While the roles were very different, they had one thing in common – there were always more jobs to go around on the ships on which she served than there were people to do them. “I had at least four or five different jobs at any given time,” recalls Christman, CMIRM, who is now risk director UK and Ireland at Equifax and TDX Group and an IRM board member. She may have been responsible for the combat information centre, but at 23 years old she also drove the ship, stood watch, managed people and served as the intelligence officer and public affairs officer – at the same time as studying for naval qualifications.

“The ability to manage several jobs within your own



The ability to manage several jobs within your own head and organise your time around the fact that you have those duties to do alongside each other defines the life of anyone in the military

.....



head and organise your time around the fact that you have those duties to do alongside each other defines the life of anyone in the military – not just the officers,” she says. Even the most junior staff must juggle a range of activities, including qualifications, and be able to prove they can take on more responsibility if they are seeking promotion.

Proportion

Christman left the service after serving for over a decade. She used her computer and analytics skills to secure a position as an analyst for Capital One via a recruitment agency that specialised in placing veterans. Later, when she moved into her current risk role, she realised that the military experience had given her both a sense of proportion about what was at stake in different

situations and a pragmatism that helped her take action when needed.

“In financial services, the risks can be high, but when you have been in situations where there are lives on the line, it prevents you exaggerating or over-inflating the severity of the risks involved,” she says. In addition, she had been a teacher in the navy. She says that has given her the confidence to assert that she is the expert at a particular moment in time, no matter how senior the people are she is dealing with.

On the other hand, working for so long in a very hierarchical organisation has left her with a couple of quirky habits. One of those is the tendency to walk slightly behind and to the left of senior executives in the business – standard US naval protocol. She says that such deferential behaviour is not always useful in trying to position oneself as



When you have been in situations where there are lives on the line, it prevents you exaggerating or over-inflating the severity of the risks involved



Above: Sarah Christman



When you are developing risk management solutions, that commercial angle is of the utmost importance in the civilian space

master's fellowship and spent a year in Aberdeen focusing on strategic studies. "It started me thinking in a bit more depth about what I was actually doing on a day-to-day basis," he says. "We were constantly speaking about the concept of force protection, but it was essentially risk management, and we were managing some fairly important risks."

When he began thinking about changing career, risk management began to stand out as a possible option – by then, he was self-funding a PhD in his spare time that touched on the subject. He saw it as an important skill that he – like many who have worked in the military – have developed by managing numerous strands of activity simultaneously.

"We would have called them lines of development in the military, but they were actually programmes of risk management activity that required detailed analysis of where the priorities should lie, managing resources, managing people and keeping on top of those numerous strands," he says. "This type of activity requires an ability to multi-task and, like most military people, I was pretty good at keeping those differing plates spinning at the same time."

Clegg also says he built up key soft skills in the Royal Air Force, particularly an ability to engage the right stakeholders. "One of the earliest things I had to do was to be able to understand who my key influencers were, so I could reach out to them and build rapport, gain advocacy, gain consent and work effectively with them," he says. While he appreciates that risk management frameworks and technical procedures have an important role to play in the



We were constantly speaking about force protection, but I began to realise that we were managing some fairly important risks

part of the leadership team; neither is the tendency to call people sir and ma'am. Similarly, she says she tends to "walk with purpose". A couple of years ago, one executive told her that he felt intimidated when she marched up to his desk and stood at parade rest – feet slightly spread, arms behind your back, shoulders squared. "As far as I was concerned, I just walked from the door to the edge of his desk and stood at a comfortable position."

Managing risks

Mark Clegg SIRM left school at 17 and went into the Royal Air Force as an airman. He worked his way through the ranks, earning his commission after 14 years and, by the time he left after 23 years' service, had risen to the rank of squadron leader.

During his thirties he was selected for a Chief of the Air Staff's full-time

discipline, he is a firm believer that to be successful in risk management requires these kind of people skills, and military personnel are often well practised in this area.

Commercial drivers

On leaving the service, Clegg initially joined the York-based consultancy Emergency Planning College as head of programmes in 2012. He has also led the cybersecurity and resilience elements of a national engineering services business. He is currently an IRM board member and chairs the IRM cyber-risk special interest group. While he did not find the transition to business life hugely challenging, the focus on commercial drivers represented a big shift in attitude.

“When you are developing risk management solutions, that commercial angle is of the utmost importance in the civilian space,” he says. “For people who have been doing risk management in the military for a long time, commercialisation could be a big challenge – it’s the new piece, and they will need to understand that reality to be able to translate their skills to the new context. However, service personnel are inherently adaptable and should handle this challenge without too much difficulty.”

Simon King, CMIRM, is chief risk officer at UK Ministry of Defence and has had a long career in risk management. He first worked

alongside former service men and women during a stint as head of risk management at Heathrow Airport. “They didn’t stand out just for the confidence they exhibited and the way they carried themselves,” he said at a recent IRM webinar on the issue, “but there was something different about them in the way they took decisions and then got things done.”


Qualifications


King has helped several ex-forces men and women to make the transition from their military careers into the commercial world. He says that “a risk management qualification demonstrates that they have the risk and management theory to support their practical experience.” He says “I also recommend IRM qualifications for military staff coming into risk management during their career. Not only can it help them later but it also helps translate the second-nature application of military judgment into a business context.”

Victoria Robinson, head of marketing and communications at IRM and Captain and county PRO in the Kent Army Cadet Force, says “It is fantastic that the IRM has signed the Armed Forces Covenant and pledge to support those looking for a career transition. We have many members from the tri-service community among our membership, and we’re looking to help upskill services leavers and veterans when

they come into civvy street.”

She agrees there is crossover between the skills and competencies needed in both military posts and that of risk managers: strategic thinking, assessing and mitigating risk, communicating, planning and analytical skills.

As well as signing the Armed Forces Covenant, IRM is currently working towards Ofqual accreditation for its International Certificates and Diploma, which means that courses will be funded through the MOD’s Enhanced Learning Credits Scheme (ELC) in the future. As part of the covenant pledge, IRM is offering 10 per cent off all of its training courses for serving or ex-serving military personnel (excluding Masterclasses). 

 For more information, listen to IRM’s recent webinar featuring Sarah Christman, Simon King and others discussing their experience of switching career and what the IRM has to offer military personnel looking to make a move into risk management at www.theirm.org/webinars

Below: Captain Victoria Robinson with Lt Col Simon Dean, Deputy Commandant Kent ACF

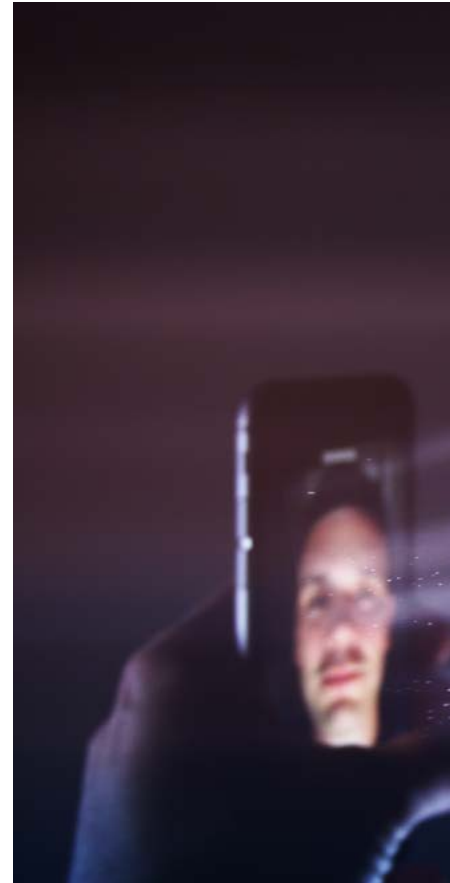


 I also recommend IRM qualifications for military staff coming into risk management during their career. Not only can it help them later but it also helps translate the second-nature application of military judgment into a business context

Face value

Facial recognition technologies present both technical and moral issues for the organisations that use them

..... BY MARTA DUNPHY-MORIEL AND ALEXANDER DITTEL



Facial recognition technology (FRT) has found its way into our daily lives, from relatively transparent use of FRT for user authentication on smartphones to the arguably intrusive surveillance when visiting certain countries. Especially in the context of national security, this tool is one of the most polemic pieces of technology created in the last decade. Its defenders argue that it is a useful tool for national security; its detractors explain that it is excessively intrusive and a key tool for an Orwellian state.

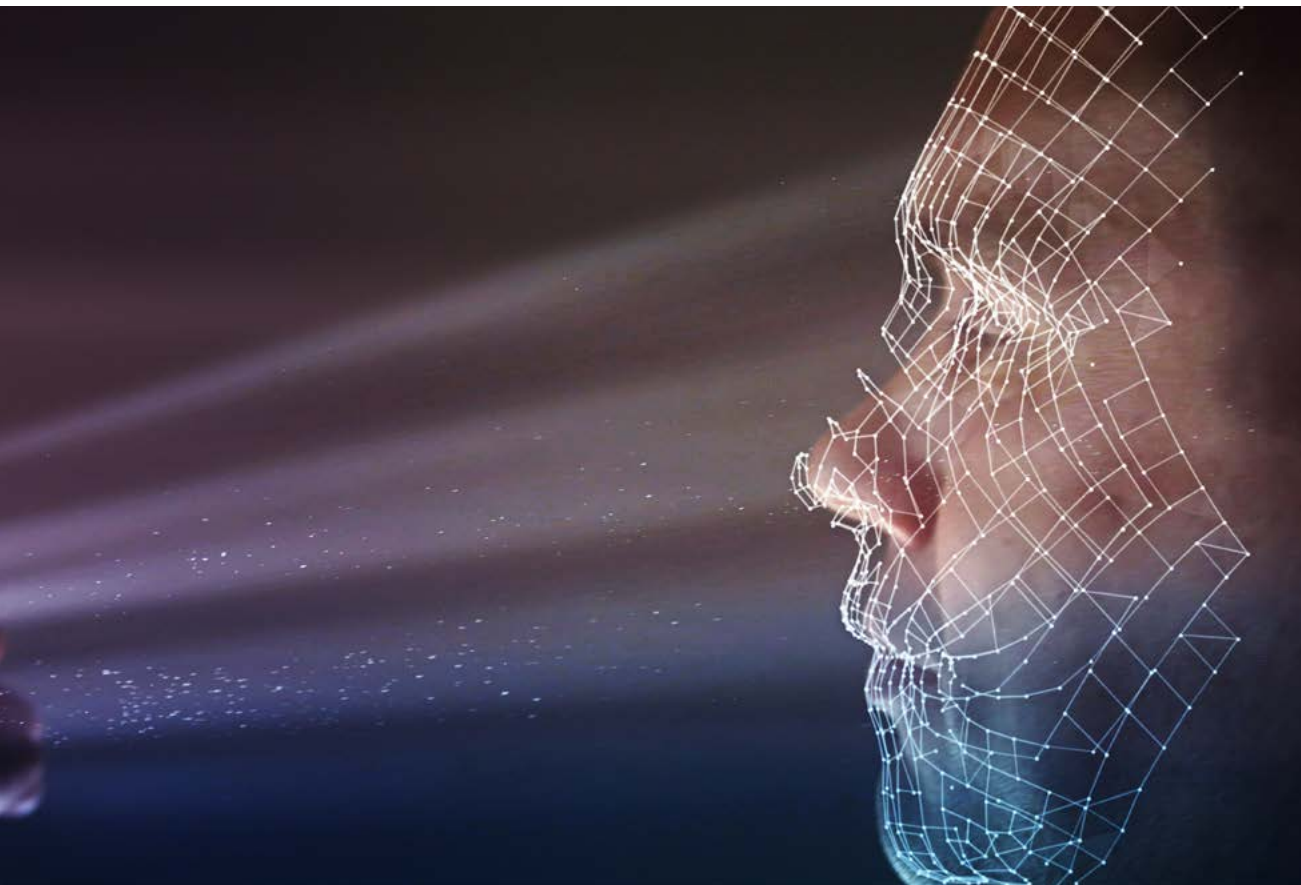
In FRT, CCTV cameras record video images of individuals. Those images are analysed by FRT algorithms which scan for distinguishable facial features such as the distances between a person's eyes, the eyes and the tip of the nose, or the width of the mouth, to create a unique biometric data record of an individual. The record is then matched against a database of biometric templates to determine whether the "object" is a person, is male or female, has certain characteristics, is feeling happy or angry or to identify the individual. This processing can be done in real time.

A useful technology

There is no question that FRT is a useful tool. At an individual level, instead of having to remember all your passwords, you can simply look at your smartphone to access your banking apps. Smartphone apps help you tag people in pictures and organise your photo albums. FRT can also detect when a driver is distracted and alert him or her, or it may slow the car down.



The key concerns that the public have around FRT are intrusiveness, bias and lack of transparency



It can also help to cut queues. Airports use facial recognition to speed up immigration checks. One company is proposing to use FRT in cars to keep the passengers safe. Commercial buildings in the UK have tried (and failed) to adopt FRT for access authentication and security surveillance. Amazon has said that even older FRT outperforms human abilities to recognise someone.

Law enforcement agencies across the globe have understood FRT's potential to prevent and detect crime. That has so far included the use of body cams in Los Angeles, police FRT trials in the UK and Germany, and state surveillance in China, which is said to house four billion cameras.

While technology companies rapidly push the adoption of their FRT-related artificial intelligence products, questions about the legality, morality or even ownership of data remain unsolved.

Key concerns

The key concerns that the public have around FRT are intrusiveness,

bias and lack of transparency.

While we would hope that we are fairly far away from the kind of ubiquitous surveillance societies depicted in such science fiction films as *Minority report*, there is a concern that recording biometric data may force people to change their behaviour. For example, the deployment of FRT could create a sense of being watched in public that could dissuade people from expressing their views or participating in peaceful protests.

Accuracy issues have cast doubt on the ability of FRT to deliver fair outcomes. This is due to data engineers' failure to adequately train their FRT models on a sufficiently diverse audience. As a result, any automated decision-making which is operated without human intervention will likely not be lawful.

The fear that FRT could potentially be deployed without people's knowledge (concealed, for instance, behind regular CCTV cameras which people have grown accustomed to) has been a common theme as FRT is implemented in different sectors. The



There is no question that FRT is a useful tool

indiscriminate use of FRT will likely result in the unlawful surveillance and profiling of individuals, in breach of their fundamental right to privacy.

Deploying FRT is not impossible, but in order to achieve compliance and user trust, risk managers will have to carry out a thorough technical and legal analysis of the planned implementation (see *Practical steps for risk managers*).

A moral question?

FRT also raises moral issues for organisations. The European data protection supervisor, Wojciech Wiewiórowski, noted that “facial recognition is being promoted as a solution for a problem that does not exist”. The convenience and efficiency afforded by FRT do not outweigh our right to privacy. Equally, a balance must be struck between the necessary law enforcement activity and our right to privacy. This is important because satisfying the legal requirement of proportionality will be dictated by the society’s attitudes towards privacy.

While we may trust CCTV, we are not ready to trust facial recognition. There is no way to hide from it, and the privacy intrusion is almost absolute. In addition, the system will likely profile individuals relying on a large pool of data which is open to significant abuse.

Scepticism about the use of power is a fundamental part of a democratic society. Universal human rights, watchdogs, judicial review and ombudsmen are supported by the free press, human rights associations, advocacy groups and activists. Without checks and balances, the few would soon control the many.

Is giving up freedom too high a price to pay? According to Wiewiórowski, it is important to look not only at any short-term benefits of allowing the technology but “also the likely direction of travel if it continues to be deployed more and more widely.” Striking the right balance in the moment is one thing, but allowing trends that silence our demands for privacy could lead us down a dangerous path.

The same problem does not necessarily arise in China. People there seem to trust the authorities. If you have nothing to hide, you have nothing to fear. The state knows your



In order to achieve compliance and user trust, risk managers will have to carry out a thorough technical and legal analysis of the planned implementation

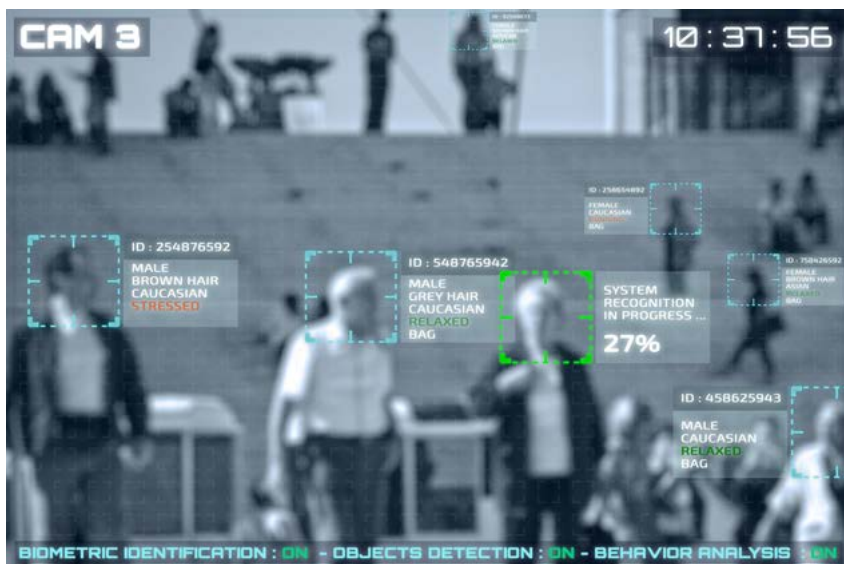
every move, your family and people you regularly meet, but that is fine. A BBC programme from December 2017 showcased that an arrest can be made within minutes. In an interview, a Chinese police representative said that data is only used if people need help. Otherwise, it is only stored on servers but not used unless needed. FRT also plays a role in the government’s social score system. Antisocial behaviour is tracked, and it will affect your score. A low score will restrict your ability to study, travel or run a business. You will be rewarded if you act as is expected of a good citizen. But the unanswered question is who decides what is right or wrong.

While the Chinese may endorse FRT for security reasons and to discourage behaviour they deem unacceptable, elsewhere attitudes

PRACTICAL STEPS FOR RISK MANAGERS

Considerations for the potential implementation of FRT include:

- Establishing a gateway for teams to engage with risk managers. A data protection impact assessment should start soon after the project is conceived.
- Being sure the benefits outweigh the risks. Aside from GDPR fines (up to the higher of €20 million or 4 per cent of worldwide turnover), an even bigger risk is presented by the rise of class action in Europe. Naturally, there will also be reputational risk as technology press indulges in biometric data mishaps. It will help if your teams understand these risks.
- Considering any advance data processing that may be required to train the model or to create an identity database.
- Considering if facial detection may suffice instead of facial recognition. Less intrusive technologies should be preferred if they can achieve a similar result.
- Determining your lawful basis for processing and avoiding relying on alternative bases as this indicates uncertainty.
- Undertaking a mature objective assessment of proportionality, which will be essential to satisfy the human rights requirements. Regulatory guidance should be strictly followed.
- Telling individuals what you are planning. If being honest seems difficult, maybe you need to rethink the project.
- Going over technical details with those who understand them and challenging what data is processed and why.
- If in doubt, prior consultation with the regulator, which may help mitigate the risk, but beware of potential opposition and delays this may cause.



differ. California, for example, has imposed a five-year moratorium on the use of facial recognition in police body cams. Similarly, an early draft of a white paper (*Structure for the white paper on artificial intelligence – a European approach*) suggests that the European Commission is planning a three-to-five year ban on the use of FRT in public spaces. Wiewiórowski questions whether FRT can be ever permitted in a democratic society.

Compliance with GDPR

GDPR compliance in relation to FRT is also an evolving area. The failures in the public and private sector indicate that a high threshold has to be met in order to comply. While a limited police trial of FRT in the UK withstood a judicial review (*Bridges v South Wales Police*), the UK's information commissioner accepted that the matter was decided on its facts but subsequently expressed doubt about the FRT trial. The judiciary remains focused on this developing area of law. The new Media and Communications List in the UK's High Court will further contribute to the judiciary's expertise, which is already highly regarded around the world.

Compliance becomes more difficult when the use of FRT triggers GDPR provisions relating to biometric data. This will not be the case if the technology is merely used for facial detection, i.e. not seeking to uniquely identify an individual but rather segmenting the audience into


categories according to age, gender, facial attributes, mood and so on. GDPR will still apply, but it will be easier to satisfy the data protection principles. This is probably why Amazon's Rekognition FRT refers to "predictions" rather than "matches", and results are provided with a similarity score rather than uniquely identifying a person. Even 99 per cent similarity does not guarantee a positive match, Amazon claims.


However, when we talk about FRT in its true sense – where it is linked to a reference database to identify or "single out" individuals – GDPR provisions relating to special categories of personal data come into play. Any indiscriminate monitoring of individuals in public spaces will unlikely meet the compliance threshold.

Recent cases have highlighted these difficulties. A Swedish school in the Skellefteå municipality using FRT for an attendance trial was fined over £16,000. The school's reliance on parental consent failed due to the relationship of dependence, which rendered the consent invalid. Similarly, employers will not be able to rely on consent of their staff. The school's alternative legal basis, which was a legal obligation to carry out effective case handling, also failed because, as drafted, the obligation was not deemed to cover the use of intrusive automated technologies. The use of FRT in the trial was disproportionate, and so was a proposed FRT trial

aimed at ensuring that students pay attention in class at schools in Nice and Marseille in France.

When it comes to the use of FRT by law enforcement, the UK Data Protection Act 2018 imposes a "strict necessity" test. Challenged by Liberty, a human rights advocacy group, South Wales Police was successful in defending its activity in court. However, the information commissioner subsequently rejected that a fair balance between the "strict necessity" of the processing and the rights of individuals had been struck. It is likely that as a minimum, any future surveillance will have to be targeted, intelligence led (based on specific cause or reasonable suspicion) and time limited. A detailed written analysis and judgment on proportionality will be required, justifying why less intrusive means to achieve the desired objective had been discounted.

We expect to see new legislation in future banning certain deployment of FRT under threat of criminal sanctions, while at the same time providing a lawful basis for certain convenience and efficiency-enabling use of FRT, such as employee authentication. Any such law will no doubt come with strict requirements of transparency, accountability and governance. 

 **Marta Dunphy-Moriell** is partner and interim head of data protection and privacy, and **Alexander Dittel** is commercial technology senior associate at the law firm Kemp Little.

 **Any indiscriminate monitoring of individuals in public spaces will unlikely meet GDPR's compliance threshold**

Family fortunes

Family businesses and small companies are powering the Indian economy. An initiative by IRM aims to help them get a better grip on risk management

..... BY HERSH SHAH

India is one of the fastest-growing economies of the world, with rises in annual GDP trending at between 6 and 7 per cent. Among other things, this growth has been attributable to the robust socio-economic policies enforced by the government, a rise in domestic and foreign capital, and greater disposable consumption and income. A major factor that has contributed to the success of India's economy is the Small and Medium Enterprises (SME) sector – including many family-owned businesses.

SMEs are thriving in all sectors including agriculture, consumer retail, energy, health, manufacturing, services and technology. India is home to one of the largest numbers of family businesses and SMEs. They account for an estimated 45 per cent of the country's industrial output and 40 per cent of total exports. They generate more than 1.3 million jobs annually, creating employment for approximately 60 million Indians. Not surprisingly, the emergence of SMEs is a key factor in urbanisation in rural India.

Challenges

The challenges SMEs and family businesses face in India often have unique dimensions. For instance, attracting and retaining employees becomes laborious as such people may find it difficult to work in a place where there could



Above: Hersh Shah



Not all businesses make it, especially those that are not risk aware



be family conflicts on jobs; there can be overlapping roles among multiple generations of family members, which can lead to clashes of emotions and difficult work cultures; and talented staff may find limited opportunities for growth because preferential treatment is given to family members.

There is often a lot of pressure on those running the businesses to hire family members and, once they are on board, it can be difficult to lay them off for poor performance, even if that behaviour is costing the business a hefty sum of money. In addition, delays over the process of succession, such as ascertaining which members ought to climb up the succession ladder on the death or retirement of the current generation, often puts these businesses on hold until the issue is decided.

Raising funds and finding the right investors, hiring and being able to manage a team, and the development of marketing strategies are a few of the most likely challenges every

startup faces. In a family business, there can be wide differences of approach between the ones who offer solutions and the ones who implement them. In order to be able to produce a successful product, this gap needs to be bridged. An in-depth understanding of customers and their needs is imperative. In a country with such great diversity as India, developing a pan-Indian business becomes challenging as the entrepreneurs' knowledge is often limited to needs of consumers of a specific region. Yet another hurdle for startups is the need to introduce new products and retain customers in an already existing, competitive market.

Funding

Not all businesses make it, especially those that are not risk aware. As part of our research with IRM, we interviewed businesses to see what some of the stumbling blocks were. "An underrated ingredient to a



The challenges SMEs and family businesses face in India often have unique dimensions

INDIAN GOVERNMENT INITIATIVES

The Indian government is offering various schemes to boost businesses, and many Indian SMEs and family-owned enterprises could benefit from them. Here are the most important:

(a) Credit Guarantee Fund Scheme for MSEs (CGTMSE):

The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) have set up a trust, Credit Guarantee Fund Trust for MSEs (CGTMSE), to execute this scheme. Under this scheme, which is applicable to both existing and potential ventures, credit is given to the micro and small enterprise (MSE) sector, without the requirement of any collateral. Loans may be available to help with executives who fall ill. *For further details: <https://www.cgtmse.in>*

(b) Credit Linked Capital Subsidy Scheme for Technology Upgradation:

This scheme is principally aimed at SMEs in the Small-Scale Industry sector looking to upgrade their technology. It applies to those operating as sole proprietorship and to private and public limited companies. *For further details: <https://bit.ly/2T0UMGV>*

(c) Market Development Assistance Scheme for MSMEs:

For those manufacturing SMEs extending participation in international trade fairs/shows under MSME India, this scheme offers funding. The scheme also covers funding in respect of market studies by experts, councils and associations pertaining to a specific sector of the industry. *For further details: <https://bit.ly/3ccP5NF>*



Emerging opportunities and innovation are also driving many second-generation entrepreneurs away from their family businesses

startup's success is intelligent risk taking," Cyrus Sethna, co-founder of EASA, a startup focused on simplifying all visa and immigration applications, said. "There are different schools of thought, but I've learnt that the simplest way to 'calculate' any risk is to weigh in factors of time and money. Simply put, if the chance of failure is not worth the effort and the funds available are limited, it's probably not the right time to take that risk."

When SMEs and family businesses can obtain financial banking, it is often at uncompetitive rates. "The last couple of years have seen a surge in non-performing assets (loan defaults) across industries," a professional working in the non-banking financial company (NBFC) sector in India, who preferred not to be named, said. "As a result, banks and finance companies have become increasingly risk averse and this is reflected in the high interest rates charged to customers in the unorganised sector. Also, the majority of SME businesses in India are from the unorganised sector, with almost no

or very little credit history. These two factors together make it extremely difficult for SME businesses to obtain financing from banks and NBFCs."

A range of issues can deter talented individuals from entering the sector. "Many SMEs and family-owned businesses do not have the right delegation of authority, organisation structure and culture that supports the long-term vision of the company," Ankit Jain, a partner at SMB Catalyst, a boutique SME advisory firm in India, said. "SMEs often struggle to scale up beyond a certain point due to inadequate funding and lack of exposure to new markets. Emerging opportunities and innovation are also driving many second-generation entrepreneurs away from their family businesses leading to uncertainty on succession and expansion of the family business."

Most people open and invest in their businesses without having a concrete plan of action to follow. They tend to follow the "just do it" approach, rather than setting out a course of action to start a business. Though there are many

people who do make logical plans and ascertain a reasonable financial projection, nonetheless there continues to be a struggle to manage and pay for unforeseen expenses.

Delays in the commencement of the business may occur because of issues relating to licences, registration and permits. Such delays are beyond the control of the owners and can put them under a heavy financial burden even before the business has actually commenced. An uncertain pull-out by an investor may also be a potential challenge to a new business. Uncertain cash flows, heavy reliance and dependency on creditors may prevent the owners from taking lucrative risks and result in the business never fully reaching its potential.

Risk management

In many cases, better risk management could help such businesses succeed. Risk management is the process of recognising, evaluating, mitigating and controlling risks to a company's capital and profit.

IRM'S INDIAN INITIATIVE GATHERS PACE

Students have been passing through IRM qualifications in the country thanks to the work of its affiliate partner

The size and nature of the Indian market means that IRM has been working on some innovative approaches to bring risk management education to the sub-continent, working with GLECO International to create an exclusive IRM India Affiliate partnership to meet local needs. As part of its mission to create a sustainable ecosystem of enterprise risk management (ERM), the IRM India Affiliate works collaboratively with education institutions and corporate organisations in India who are contributing towards the development of risk professionals by way of introducing students and employees to IRM's global qualifications and training.

With these qualifications, IRM India Affiliate is empowering India's future leaders with the acumen needed to navigate in today's risky world. IRM members in India are working across various sectors, including with organisations such as Deloitte, Swiss Re, Barclays, Aditya Birla Group, L&T, Edelweiss, India First Insurance and others.

IRM officially entered the Indian market in January 2019 through its collaboration with Hersh Shah, CEO of GLECO International. Shah has trained over 1,200 students in business risk management using his proprietary simulation game, and his students are working at large organisations or pursuing further studies at business schools like Babson College, Cambridge University and the Wharton School.

IRM India Affiliate is also onboarding industry trainers who wish to come back to the classroom to deliver IRM's

qualifications. IRM India Affiliate's Mentorship Board comprises industry professional and academics who will work towards enhancing the ERM ecosystem. We have also developed and delivered customised training programmes for many enterprises to upskill their ERM and business teams and make them risk-ready.

IRM India Affiliate has partnered with over eight education institutions, and many students have already completed an introductory IRM training programme (known as Level 1 in India), with some moving towards a second level which includes the IRM's International Certificate and some securing internships. IRM India Affiliate is also in the process of delivering customised risk management programmes for SMEs, family businesses and large organisations.

Here is what students are saying: "The best part about the course was the fact that it wasn't simply based on theoretical learning from PowerPoint presentations. By participating in the simulation game, we were actively involved in everything that was happening in class and could apply the concepts we've learnt when we created a risk register and completed other challenges."

"The methodology used ensured that the students in each session developed a better understanding of the subject, remained captivated with the ongoing tasks and ultimately displayed certain skills which were honed with the help of these sessions."

Below: IRM director of corporate relations Carolyn Williams (second from right), Hersh Shah (far right) at Jai Hind college, Mumbai with the students and faculty attending their first IRM risk course






Above: Hersh Shah (centre) with delegates at an IRM training session in India

“ The ability to comprehend and prevent hazards would empower businesses and its owners to feel increasingly certain about their business choices

These risks are often derived from a plethora of sources which include money-related vulnerability, legal liabilities, administration mishaps and other catastrophic events. IT security risks and information-related risks, and the risk management techniques to mitigate them, have become a top priority for all organisations, including SMEs and family-owned businesses.

By implementing a risk management plan and identifying the potential threats before they occur, associations have a better chance of setting aside enough capital to weather the storms ahead. A powerful risk management plan would enable organisations and businesses to set up strategies to combat potential threats, limit the effect of such threats on the businesses on their actual occurrences and mould the organisations in such a manner so as to be able to adapt to the

outcome of such threats. The ability to comprehend and prevent hazards would empower businesses and their owners to feel increasingly certain about their business choices. Moreover, concrete administration rules that focus explicitly on risk management would ensure fulfilment of the objectives of any business to the fullest potential.

The SME and family business sector is a key to India's economic success. Better risk management could make a unique contribution to its further progress. 

 **Hersh Shah is the chief executive officer of GLECO International – the IRM India Affiliate. It is partnering with education institutions, startups, family businesses, small-medium enterprises and large organisations and has a network of 360+ testing centres across India. Contact: irm.partnerships@thegleco.com**

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Developing risk professionals

Business with conscience

Risk professionals have a key role to play in supporting the modern organisation take its share of responsibility for managing risks to society

..... BY ANITA PUNWANI

Scenarios of devastation following “Rana Plaza”, the collapse of a garment complex in Bangladesh on April 24, 2013, raised public consciousness of the risks posed to workers operating in such factories. The image of a young boy washed onto the shore of a Turkish beach on September 2, 2015, brought home the gravity of the personal risks being taken by migrants seeking a better life. More recently, the impact of the Australian bush fires on the life and livelihoods of local communities as well as the survival of wildlife in the natural environment was evident for all to see.

Globalisation has acted as a driving force for increasing connectedness and interdependence across the world. Increased investment, trade, travel and information technology flows between countries have certainly brought prosperity to many parts of the world; however, certain members of society – often the poorest and most vulnerable – have either been left behind or placed at risk. Anti-Slavery International, a global human rights organisation, estimates that 40.3 million people, including 10 million children, are in slavery. The International Organization for Migration, which provides services and advice concerning migration to governments, found evidence that “migrants are more likely to be exploited through forced labour in the construction and manufacturing sectors”. The World Economic Forum views climate change to pose risks to economic progress, global



There is a commitment on the part of the international community to address such global issues

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Above: A top view of Rana plaza building which collapse at Savar, near Dhaka, Bangladesh April 24, 2013

food security and our natural systems, as well as individual livelihoods.

There is a commitment on the part of the international community to address such global issues, as reflected in the United Nations' (UN) Sustainable Development Goals, and national efforts including the introduction of legislation. In the UK in 2015, a commitment was made to allocate 0.7 per cent of Gross National Income to overseas development, and the Modern Slavery Act was introduced.

Responsibilities

Social as well as traditional media has raised public awareness of these risks but also the question of social responsibility; in the case of Rana Plaza, this related to the corporate social responsibility of the organisations buying from the factories but also the responsibility of customers creating the demand for cheaply sourced clothing.

So, what is the responsibility of the modern organisation in this context? At a minimum, the organisation as an individual entity has a responsibility to comply with the laws and regulations in the countries in which it operates, including those relating to health, safety, welfare, labour rights and the environment. The scale of the challenges involved in addressing these issues, however, requires co-operation on the part of organisations in all sectors of society. Dealing with the impacts of climate change is a prime example. Private, public and not-for-profit sectors as well as civil society need to carry out their ethical responsibilities over and above legal and compliance functions in dealing with such risks.

The UN's Guiding Principles on Business and Human Rights provide a basis for organisations to develop these responsibilities. The principles set out the responsibility of the nation state to "respect, protect and fulfil human rights



Private, public and not-for-profit sectors as well as civil society need to carry out their ethical responsibilities over and above legal and compliance functions in dealing with such risks

and fundamental freedoms” and those of business enterprises – viewed as “specialised organs of society performing specialised functions” – to comply with laws and respect human rights. The stated objective of these principles is to encourage organisations to “enhance standards and practices” related to the “human rights of affected individuals and communities” and, in this way, contribute to a “socially sustainable globalisation”.

One of the practical challenges for organisations seeking to fulfil their responsibilities relates to the complexity that arises from the increased connectedness and interdependence of globalisation. In seeking to eliminate the risks of modern slavery, an organisation needs to identify the risks in its supply chains, chains which often span across a number of countries, each with different laws, cultures and labour practices. Even in a local context, the risk can be difficult to identify. UK government guidance *Transparency in supply chains* acknowledges that there may be a spectrum of situations which range from poor working practices, or a lack of awareness concerning health and safety, to incidents of actual slavery. To note, this guidance considers there to be a legal duty on organisations to “drive out poor labour practices” but also a moral duty to “influence and incentivise continuous improvements in supply chains”. Practical steps for risk managers can be found in IRM’s *Modern Slavery Act: a guide to compliance*.

Leadership

The body, or individual, responsible for governing an organisation needs to ensure its policies regarding its responsibility for protection of the rights of people and the environment are clearly set out, notably in relation to allocating roles and responsibilities for managing any risks. In this, the governing body should recognise its responsibility for its internal operations as well as its ability to influence and incentivise other organisations. By setting out its own position, it sends a clear signal to all stakeholders that the organisation is committed to taking seriously these responsibilities, and the tone is set in its dealings with others.



Above: Injured Koala patient in Currumbin Wildlife Sanctuary Hospital



A culture in which risks and incidents are regularly discussed will facilitate greater engagement, exchange of information, early effective action and continuous improvement

Statements alone, however, are insufficient. At an operational level, we can support management processes and practices to deliver the policy objectives, including risk-based identification, analysis, management, monitoring and reporting processes. In relation to eliminating modern slavery, organisations should certainly carry out due diligence of suppliers as well as develop processes to oversee their activities through regular reporting on the effectiveness of risk control measures in place. This needs to be conducted in a culture of co-operation and regular open, honest dialogue on the part of all parties. Taking the lead in influencing and incentivising continuous improvements through the supply chain right from the start of working relationships will encourage greater positive action rather than relying solely on a culture of intolerance in relation to the breach

of policies, agreements or legislation.

Any situation which poses a risk to people or the environment, should it then occur, needs to be acted upon in a decisive, timely manner. A failure to handle the situation poses the additional risk that the organisation's own reputation may be damaged and, in turn, threatens its financial standing and even long-term survival. Again, a culture in which risks and incidents are regularly discussed will facilitate greater engagement, exchange of information, early effective action and continuous improvement.

Accountability

A wide range of stakeholders are increasingly interested in the organisation being held to account for the way in which it takes responsibility for protecting people and the environment. These stakeholders include traditional and social media, partners, suppliers, local communities, customers, beneficiaries, investors, staff, volunteers, civil society, trustees, donors, regulators and other public bodies. The influence certain stakeholders have on an organisation may only become evident when it is faced with a crisis, or concerns are raised about its governance, operations or staff conduct. The way in which pressure groups have raised public awareness of environmental issues demonstrates one way governments and multinational corporations can be held to account.

Formal risk reporting is one way of demonstrating to a number of stakeholders that roles and responsibilities have been properly discharged but more widely, effective communication is essential. Whatever size, as "specialised organs of society performing specialised functions", organisations have a responsibility to engage with an array of stakeholders. Stakeholders each have their own interests and influence on the organisation; communication which respects the needs of each key stakeholder group will provide assurance that the risks to their interests, or the interests they represent, are being managed. Advances in information and communication technology provide us with opportunities to

strengthen co-operation as well as communication with key stakeholders by utilising social media to raise their awareness of policies and practices and seek their views on ways of enabling continuous improvement.


Learning lessons


Learning lessons is essential to supporting continuous improvement. The collapse of the Rana Plaza complex in Bangladesh illustrated all too clearly the risks to people working in global supply chains and the reputations of organisations buying from these sources. It is also a case study in which lessons were learnt. Following the collapse, together with the national government, the International Labour Organization, UK companies and their supply chains, the UK government – through its overseas development programme – supported action to strengthen fire safety and structural integrity in the factories. It also supported initiatives between the buyers, factory owners and civil society aimed at improving communications between the employees and owners, skills training and women's empowerment. The textile garment industry in Bangladesh brings significant benefits to the country. It employs millions of people, enables many women to enter the workforce and accounts for a large proportion of the country's trade exports; it has been pivotal to the nation's prosperity.


Our responsibilities

Although we are operating at a time of considerable social, political and technological change, the modern organisation is increasingly defined by its sense of purpose in society and not only a focus on measures of individual performance. Whichever sector we operate in – and whether at a local, national or international level – we need to be aware of the risks that change brings to people and the environment. We need to support organisations to provide the leadership necessary to deliver on their own ethical responsibilities as well as facilitate co-operation and communication with stakeholders.

As members of the IRM, we have the shared knowledge base to learn lessons from the past, understand

changes in the environment and anticipate future risks – we are well placed to help deliver the benefits that global development and technological advancement offer while ensuring the rights of individual members of society and the natural environment are protected. 

 **Anita Punwani, CFIRM**, has worked in central and local government, the corporate sector as well as not-for-profit organisations. She is a non-executive director and deputy chair of the IRM board and a member of the Royal Institute of International Affairs.

 **Although we are operating at a time of considerable social, political and technological change, the modern organisation is increasingly defined by its sense of purpose in society**



Research roundup

A range of recent and forthcoming projects by IRM and its partners are helping risk managers tackle the pressing issues of today, says Carolyn Williams

IRM and its members are at the forefront of promoting research and insight into various aspects of risk management, working with a variety of partners around the world. Over the past few months, there have been a number of valuable publications and round-table discussions that can help members deepen their understanding and practices in a range of areas.

How to hire a great chief risk officer: recruitment expert Ulrich Seega looks at the changing role of the CRO, how to identify the key skills and attributes (using IRM's professional standards) and how to undertake an effective recruitment and assessment process. "The aim of this guidance was to bring together today's best practice in recruitment with the specialist technical knowledge about risk management offered by IRM," Seega said. "Organisations today are looking for CROs who display not only technical expertise at the highest level but also the appropriate behavioural characteristics relating to matters like change and leadership. This guidance will help organisations define what they need and how to go about finding it."

This document has also been translated into German: <https://bit.ly/2HRqRdX>

IRM's partnership with the Cambridge Centre for Risk Studies has resulted in two recent publications launched at 2019's Risk Leaders conference. *Stress testing companies in the energy value chain* and *Risk management for the consumer sectors* look at a scenario-based approach to identifying risk in the energy and consumer sectors respectively, including the concept of a "digital twin" for testing scenario outturns. <https://bit.ly/32kWMgc> | <https://bit.ly/2wIKjaA>

Risk, science and decision-making: how should risk leaders of the future work with AI? Working with leading leadership consultants Egon Zehnder, IRM brought together a group of chief risk officers, leading academics and risk thinkers for a round-table discussion on the topic of artificial intelligence and its impact on the risk landscape, led by Professor Sir Adrian Smith from The Alan Turing Institute. "Risk professionals are going to need to rely on a range of expert advisors when working with AI, going forwards, but will also need to develop skills and expertise themselves," Iain Wright, CFIRM, IRM chair


said. "Reassuringly, it doesn't look like the role of a CRO will be replaced by an AI black box but, while risk leaders won't need to be deep experts in the field, they will need to have multidisciplinary training and experience. We can expect CROs to stay involved in deciding risk criteria involving the development and use of AI processes, in which case they will need access to trusted advisors who can translate the concepts". <https://bit.ly/3c3aQzx>



The aim of this guidance was to bring together today's best practice in recruitment with the specialist technical knowledge about risk management offered by IRM

Ongoing projects

The risk management landscape in Zimbabwe is a project by the Department of Risk Management and Insurance at the National University Of Science and Technology in Bulawayo, which is supported by IRM in conjunction with our Zimbabwe regional group. The project is looking at the very challenging risk landscape in that country.

The risk management department at the Hubei University of Economics, Wuhan, is researching a guide to ERM for Chinese business: *A short guide to enterprise risk management for Chinese organisations*, which is expected to be published later in 2020. IRM is also reviewing and updating the Sound Practice Guidance documents published by the Institute of Operational Risk and making them more widely available. 



Carolyn Williams is IRM's director of corporate relations.

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Poker face

While artificial intelligence companies are ploughing millions into reading facial emotions, some psychologists remain sceptical

As a column in a risk management magazine, Toffler obviously does not condone gambling. But recently, we have been looking into the art of developing a poker face for other reasons.

Not surprisingly, the internet is awash with such advice. Wikihow.com suggests that you relax your face and maintain eye contact, for example. Keeping limber, blinking a bit and not screwing up your mouth all help, apparently. And don't forget to don a par of shades "to conceal where you are looking."

Deadpan

While gambling at the card game poker, such a deadpan face can be useful. It prevents your opponents from reading the strength of your hand from the expressions on your face. In real life, having a poker face is both a gift and a curse, according to one website: "While you can hide your thoughts and feelings from everyone else, a lot of people will think you're arrogant and unemotional. In a lot of circumstances, it is helpful because you want to hide how you're feeling."

Companies that have been designing facial recognition systems to recognise emotions may be hoping for a low take-up of gambling in the population. Such systems are in development in areas ranging from advertising and marketing to law enforcement and mental health (see our feature in this issue "Face value", pages 20-23). The trend is not without detractors. The New York University research centre AI Now Institute, for instance, has called for a ban on emotion-recognition technologies in areas such as recruitment and law enforcement because emotions are difficult to read.



“Companies that have been designing facial recognition systems to recognise emotions may be hoping for a low take-up of gambling in the population

Getting emotional

In fact, the science journal *Nature* recently published an article casting doubt on the universality of emotional responses in human populations – "Why faces don't always tell the truth about feelings". It has been a long-held belief that certain external facial expressions accurately express particular emotional states. US psychologist Paul Ekman developed an influential theory between the 1960s and 1970s that suggested humans could reliably infer emotional states from facial expressions – implying that such expressions are universal. More recently, Ekman's research has


been challenged. Further studies show that facial expressions vary widely between cultures and that body language and other contextual signifiers play an important part in decoding how someone is feeling.

Software firms are not ignorant of these debates. None of the serious players simply set an algorithm loose on a database of facial images and let it learn by association. Over the past ten years, for instance, the facial recognition company Realeyes has reportedly built a database of over 450 million frames of faces that have been tagged for six basic emotional responses. It attempts to eradicate bias by using real people to confirm responses tagged by its algorithms.

Cultural difference

"It is critical to use a lot of people," Realeyes CEO Mihkel Jäätma has said. "Cultural sensitivity is very important – you need Asian people, for instance, annotating Asian emotions because they are going to be more accurate in assessing whether a person is confused or happy."

Artificial intelligence and facial recognition systems are at a relatively early phase of their developments. Both are becoming increasingly ubiquitous. Major phone companies already have facial login for their devices, for instance, and trials by police forces around the globe have been underway. As such practices become more commonplace into the law enforcement, commercial and health spaces, people could have emotions imputed to them that they do not have – with potentially serious consequences. Looking worried in a checkout queue? Perhaps you are a shoplifter.

If that time comes, it would not be a surprise if internet articles on how to develop a poker face rocket in popularity. 

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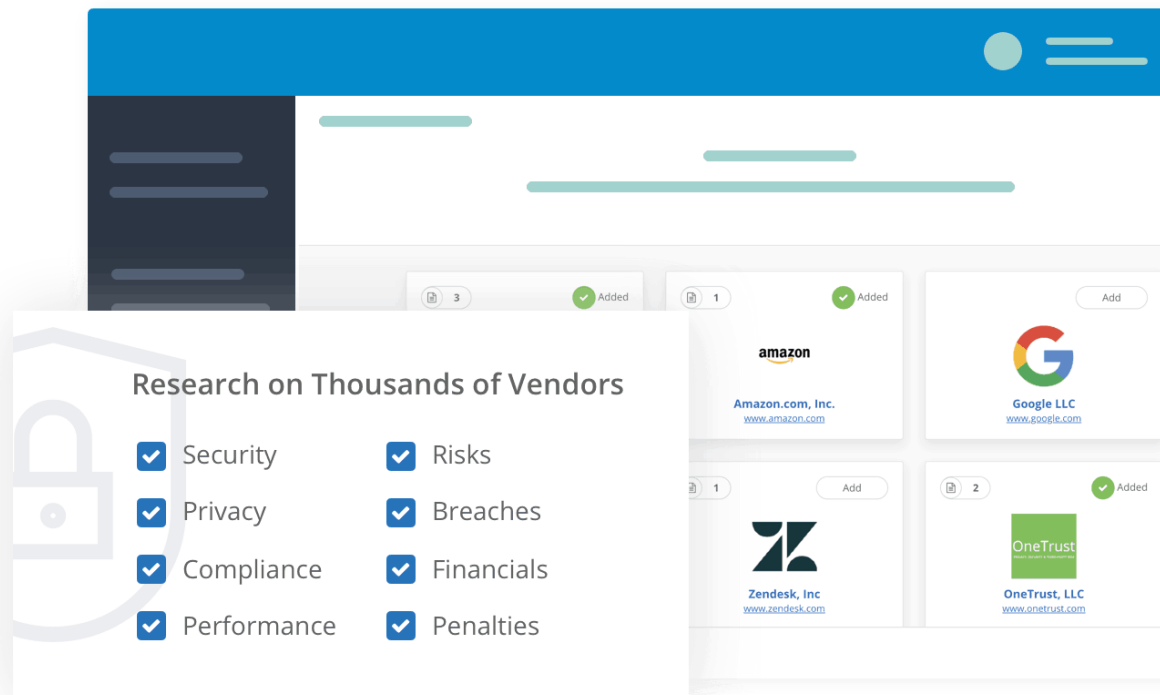
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