# Enterprise Risk

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The official magazine of the Institute of Risk Management

**The next generation:** Risk Leaders 2018 / **Influencing the boardroom:** an approach / **Honing the tools:** focusing on the threats that matter / **Risk in demand:** career opportunities and IRM's revised CPD regime / **Harnessing the future:** horizon scanning techniques

**A journey into risk culture** at HSBC Securities Services

Enterprise Risk

Winter 2018

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IRM is the leading professional body for enterprise risk management. We are an independent, not-for-profit organisation that champions excellence in managing risk to improve organisational performance.

We do this by providing internationally recognised qualifications and training, publishing research and guidance and setting professional standards across the world. Our members work in all industries, in all risk disciplines and across the public, private and not-for-profit sectors.

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# Editorial

## Time to get political

IRM's annual get-together at its Risk Leaders conference is always a good way to see what is coming up on the risk horizon. Not surprisingly, politics featured time and again. While the topic has appeared in various world risk reports for several years, few risk managers seem to know what to do about it. Political unrest, after all, was often viewed as something that happened in developing countries – and France – but not in the UK.

Brexit has permanently changed that view. Sir Mark Boleat, a keynote speaker at this year's Risk Leaders, voiced what most people know – business is not very good at politics (see pages 16-19 in this issue). The risks of getting involved seem huge and the gains small. But Sir Mark challenged that view, concluding, "If business does not engage adequately with politics it can hardly be surprised if the political system makes decisions that it does not like."

Sir Mark's recommendations include trying to educate politicians about the likely impact of their policy proposals. This is an area where risk managers can help. But how many risk professionals think of political change as a potential mitigation strategy? It may seem like a long shot, yet perhaps in today's volatile climate it is worth a try.

> **Political unrest was often viewed as something that happened in developing countries – and France – but not in the UK**

Although Sir Mark's political world is based largely around Westminster, the conference also touched on dealing with millennial politics. While class, gender and racial diversity score low on the list of concerns for most businesses, Professor Daniel Ralph of the Judge Business School, Cambridge University, said that it was likely to be an issue of growing importance. He was presenting the recent findings of the IRM-sponsored *Risk management perspectives of global corporations* (see pages 22-25 in this issue).

Just like Brexit, such low-scoring risks can flare up unexpectedly. Think only of the recent #MeToo campaign, which has exposed sexual discrimination and harassment in many industries.

Whichever way you cut it, business and politics can no longer be seen as totally separate areas of human activity. Even if that were only a pretence before, the illusion is now dispelled. Facing the realities of political risk should be on every risk manager's list of New Year's resolutions for 2019.

**Arthur Piper**
*Editor*

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# Empowering volunteers

*IRM has ambitious plans to boost the support it gives to volunteers working in its special and regional interest groups, as Clive Thompson explains*

The members of IRM's special and regional interest groups (SIGs and RIGs, referred to collectively here as Groups) play a major role in helping risk managers serve their organisations better. While SIGs are organised around industry-specific areas, such as charities, financial services and infrastructure, and around pressing issues that cut across sectors, such as cyber-risk, enterprise risk management and innovation, RIGs play a vital role in supporting the work of IRM's global members.

As a member of the board, I am both amazed and grateful for how much time and effort some people put into working with colleagues in their Groups to help create guidance, organise meetings and workshops, and to just generally make things happen. It is a labour of love and requires patience and diligence.

## More support

While the IRM's board has always been supportive of the volunteers involved in such Groups, I am happy to say we are now in a position to do more. Our Groups are at the centre of what IRM wants to do over the next three years, which is why the board has committed to investing a quarter of a million pounds into their activities during that time.

As you might expect, because we are spending members' money, we need to put in place some additional governance requirements for the Groups. First, there is to be an oversight committee comprising five members, including two from overseas. This committee will work with the Groups and IRM's executive to make sure any money is distributed fairly. Second, the committee will work with Groups to share ideas and identify potential projects. And third, the committee is working to make it easier to form new Groups and to support them when they put on events with marketing, mailing lists and general logistics.

We are working on the basis that we are empowering people to do more, at the same time as having processes that are flexible enough to support our volunteers without tying them in administrative knots.

## Volunteer

The committee is made up solely of volunteers – me included – who have had experience of running a Group and know what it is like "in the trenches". Our terms of reference have been approved by the board for whom we will be the eyes and ears. That means that we will work to develop a strategy based on the Groups' own plans and which places those initiatives at the centre of IRM's activities.

Obviously, Groups that apply for funding will need to demonstrate that the outputs from their activities pay dividends. That is likely to include developing some thought leadership, or it could mean creating short notes or blogs, or producing eye-catching communications material that we can share on our social media outlets.

> Our Groups are at the centre of what IRM wants to do over the next three years

The overarching aim is to showcase our Groups and, in doing so, boost the visibility of both IRM and those Groups. Some are already developing a distinctive profile: the members of the Innovation SIG have recently produced in-depth guidance on horizon scanning, for example, and in the Middle East keen local IRM members have started regional Groups which have produced significant growth for IRM.

If you are not already involved in a Group, I would urge you to sign up. This is an exciting time for IRM, and the initiatives that our Groups will be working on will help shape the future of the profession. What could be more satisfying than that?

**Clive Thompson is chair of IRM's Interest Groups Committee**

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

## Skills that are difficult to find across Europe

There seem to be plenty of workers available, but many do not have the right skills, according to European chief financial officers

**43%**
Appropriate technical knowledge

**32%**
Necessary work experience

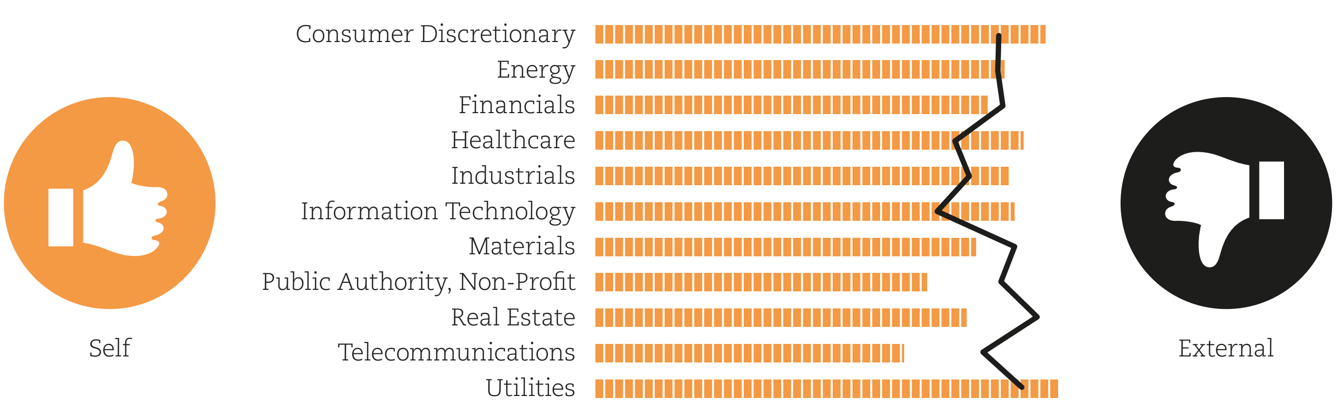
**27%**
Problem solving/ adaptability

**25%**
Labour, not skills shortage

*Source: European CFO survey autumn 2018: winter is coming, Deloitte*

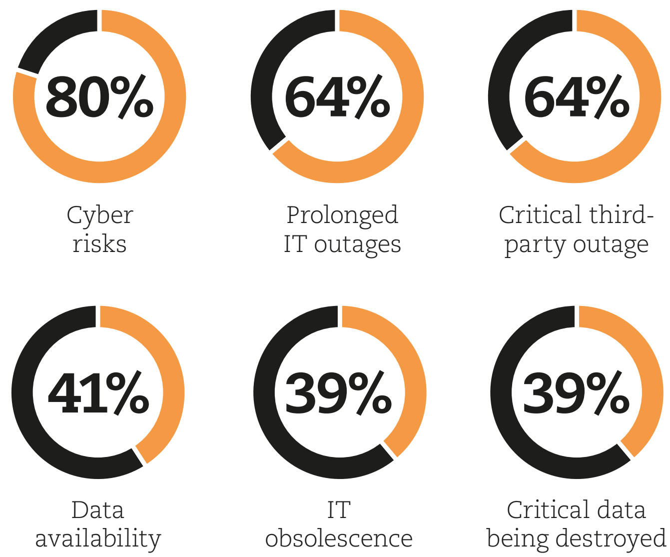
## Most sectors over-rate their own reputations

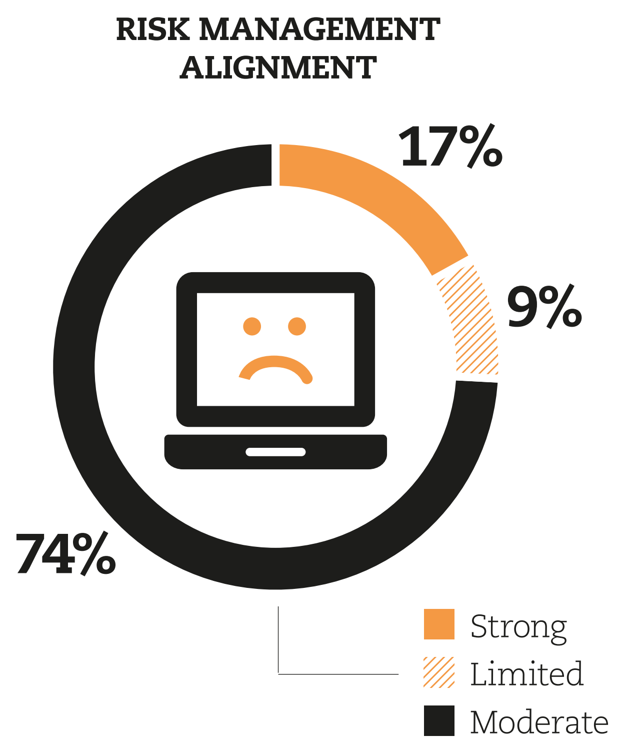
Self-scored versus externally scored reputation




*Source: 2018 ERM Survey, IRM and Cambridge Centre for Risk Studies*

## Financial institutions worry mostly about IT when they talk about resiliency concerns



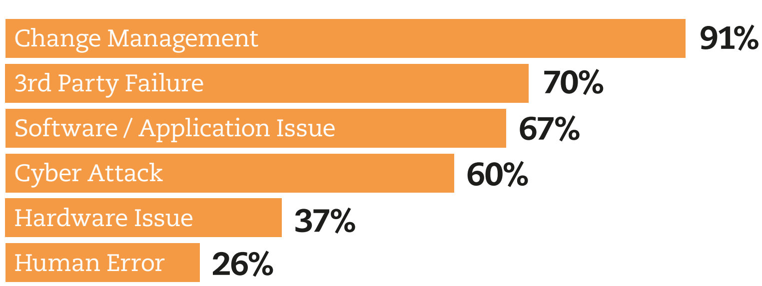




**Yet risk management only "moderately" aligned with risks in IT and digital strategy**

*Source: Accelerating digital transformation, Ninth annual EY/IIF global bank risk management survey, 2018*

## Change management most common root cause of reported technology failure

Poor change management caused 20% of incidents reported to the FCA between October 2017 and September 2018




"There is a disconnect between firms' self-assessed strength in change management and our analysis of incidents reported to the FCA"

*Source: Cyber and technology resilience: themes from cross-sector survey 2017 – 2018, Financial Conduct Authority, 2018*

# A journey into risk culture

When HSBC's Securities Services wanted to strengthen its risk culture, it turned to its own staff for help

BY ARTHUR PIPER

Since the mid-1990s, when he began helping to build risk management frameworks in large international banks, Dr Roger Noon has been dissatisfied with the engagement approach that's almost always employed. He felt that the change teams he worked in weren't thinking deeply enough about how to create effective risk management cultures. Like most financial institutions at the time, they focused heavily on their technology platforms and control processes. But Noon realised that something was missing. It was like trying to clap with one hand, he says.

"Having since been part of a number of culture change projects in organisations, I also wondered why they had not really worked as well as they could have," Noon says, now a risk culture architect at financial institution HSBC. "And I realised it was because if I imagined myself as a punter, sitting in the midst of an organisation, no one was really engaging very deeply with me to understand what my thoughts were about 'what good is', how I experienced culture and how I contributed to it."

Noon took this simple insight to the Global Market Operations (GMO) business within the Global Banking and Markets (GB&M) division of HSBC in 2015. He created a method that attempted to bring together the business's

No one was really engaging very deeply with me to understand what my thoughts were about 'what good is', how I experienced culture and how I contributed to it

**Above left to right:** Roger Noon, Gary Dutch, Alan McKinnon, Vilma Midveryte, John Lloyd

aspirational messages about the type of risk culture it wanted to create and the thoughts, insights and behaviours of the 3,500 people already working in GMO.

The initiative scooped GMO an innovation award from the Institute of Risk Management in 2016 and caused a stir within other parts of GB&M. John Lloyd, chief control officer of HSBC's Securities Services business (known as HSS) – and now acting chief operating officer – wondered whether Noon's approach might work for him. His team wasn't only thinking about how to improve risk culture; it was also refreshing the risk management framework. Could those two initiatives run in parallel and inform one another?

## Different perspectives

"Roger and I have had a shared interest for some time around culture and how you are able to understand and evolve it within an organisation," Lloyd says. He says that he already understood the value of creating a "tone at the top" because in a global organisation there has to be consistency in the messages and values that drive the organisation's activities. And yet, he says, "Roger set a catalyst off with the work he'd done in GMO and the more I read about the topic the more I began to share a mutual belief with Roger that we needed to think of this from a different perspective."

He wanted to empower the people in HSS to drive the culture from the base, at the same time as pushing down global values from the top. But HSS is a different type of business to GMO. With 7,500 people it is over twice the size and it operates in 36 countries. It is also what is known as a "front-to-back" business, which means it serves customers and effectively operates as a complete business within HSBC. GMO, on the other hand, exists to support HSBC's Global Markets trading operations and, therefore, arguably has a simpler structure and a more unified culture.

"If I'm honest, we were nervous," Lloyd says. "Some of my peers were sceptical because we hadn't approached culture change in this manner before. Equally, we didn't know what the take-up was going to be by the general population in HSS to contribute to this, because you're asking people to give up a good chunk of their personal time, or to actually squeeze that in with the day job."

Noon came in as a part-time consultant in 2017 and Lloyd hired Alan McKinnon as the full-time global risk culture lead on the project. McKinnon was to work closely with Gary Dutch, global head of framework,


> **If I'm honest, we were nervous. Some of my peers were sceptical because we hadn't approached culture change in this manner before**

governance and reporting, and Marcus Jones, global head of risk initiatives within the control office, who were revisiting HSS's risk framework. If this was the team at the top, who would the wider team be? And how would they identify the right people and get them engaged?

## Remote

Lloyd and his close circle carefully profiled people across HSS and invited some of the most suitable ones to get involved as champions in the different functions and regions of the business. They established a network of risk culture working groups and, apart from those in London and Edinburgh, most of this network was built up remotely. "One of the things that was important to us in the design of the project was that, in each working group, there would be a lead but we didn't want those leads to be from my control office," Lloyd says. "Ownership is really important because we often find from a control perspective that if people feel like we are doing something to them, it doesn't always get the traction and buy-in. Culture is about risk owners – people within the business – owning their agenda, driving it and not waiting for the people in risk and control to come and tell them what to do."

There still seems to be a sense of surprise among the leadership group that people engaged with the project so enthusiastically. Since the culture risk strategy was aimed at getting people to get involved in strengthening culture in ways that were relevant to them, the range of ideas that came back from places as diverse as Sri Lanka and India to Ireland and Edinburgh was encouraging. Some locations launched risk culture weeks; others focused on detailed analyses on how specific processes could be improved, and certain countries initiated risk culture award frameworks. In Ireland, for instance, there is a quarterly award of €250 if an employee is selected as displaying the most exemplary risk culture behaviours.

"We initially used the working groups to define their risk cultures and evolved that gradually into how you measure that and how you improve it," Lloyd says.

## Building a risk culture

About 120 people were involved in 11 working groups across locations that represented about 80 per cent of the population in HSS, and each group was designed to include a broad range of people from diverse backgrounds, McKinnon recalls. He likens the process to Gareth Malone's TV programme The choir, where a group of strangers are brought together and expected to sing in one voice by the end of the series.

"That was the intention behind what we were doing in trying to get the whole organisation to talk with one voice about something they'd not really spoken about before, which was the culture they wanted to have," he says.

The first eight weeks were "immersive" with video-conferencing calls and workshops running back to back. McKinnon and his team synthesised the emerging 500 or so elements of the fledgling risk culture framework into a more consistent and manageable model using language that reflected how people had described their aspirations for the future risk culture of HSS. They fed that back to the groups.

"We asked them to broadly make sure that all the words and phrases they'd given us were visible either directly by being embedded in the framework, or that they could see the essence of the things they wanted to have in the framework represented when it got played back to them," he says.

Once the groups were happy with the framework, McKinnon presented it to the HSS executive committee. By then, the risk culture framework had been organised into five themes. Five members of the executive committee took a theme each and examined it line by line to understand, challenge and, eventually, validate it. McKinnon then used the approved framework as the basis for a 24-question survey which he sent out to all 7,500 staff in HSS. About 30 per cent of recipients responded. This connection between the "voice" of the employees and a survey tool was key to the whole engagement approach.

## Assessing progress

The survey aimed to measure – McKinnon prefers the word assess – how far the organisation was from its aspirational risk culture goals. "Assess is probably a better word to use because you can ask a bunch of questions that will give you an approximation of whether you are broadly looking rosy or not, and you might get a sense of where you can zoom in to areas of relative strength or weakness – but you should be wary of assuming deep precision in a sentiment-based survey that asks people about their culture," he says. "It is not a scientific method."

A strong picture of staff perception on the strength of the risk culture in the organisation emerged from the survey. As well as providing a global, business-wide view, there was enough data to dig into detail at a more local, sub-culture level. The temptation would have been to pick out a few global weaknesses and ask everybody to focus on those – but McKinnon resisted that approach. He doubts it would have worked.

"Pulling lever A on a culture change activity does not always get the same outcome at the other side of the system," he says. That means that what might work in London, for instance, will not be useful in Sri Lanka. Instead, people in different locations worked to improve their own risk culture, and some of those initiatives were then taken up by other teams. Ireland's recognition programme was reported on in HSS's risk culture newsletter, shared in workshops and was taken up in a modified format in Luxembourg and then again in Singapore. The business maintains a sheet on SharePoint summarising all of the risk culture initiatives.

## Top to bottom

In July 2017, at the same time as the survey insights were being digested, the executive committee engaged in an off-site exercise in which they needed to select the top three things they felt were cultural priorities in the business. They were split into four groups to avoid them attempting to reach an easy consensus. After they had chosen their priorities, they were encouraged to tell stories about why they believed those things were important. This exercise helped them create a collective view of risk culture from the top of the business, which they could then begin to marry together with the diverse range of views coming from the people working in the different regions.

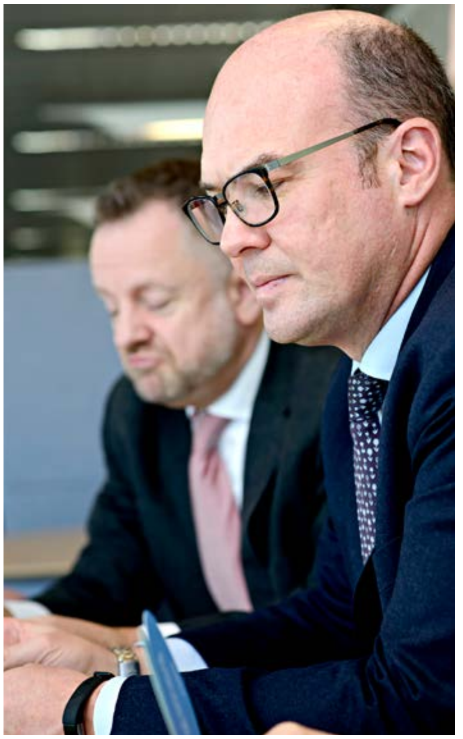
Noon says it would have been easy to take those top-level views and push them down into the newly formed risk culture groups. Instead, they synthesised the bottom-up and top-down feedback since, not surprisingly, differences in priorities came about because of the different roles and perspectives of the participants. Leaders tended to rank things like acting as a role model as important to developing risk culture. More junior staff asked for more effective basic awareness training on risks and processes. Others wanted to know how knowledge of risk could be shared across the different parts of HSS better. Properly understanding and then strengthening culture meant treating these different perspectives with equal importance.

While the results of the second all-staff survey have not yet been published in detail, initial indications are that there has been a measurable improvement across all five themes. In addition, the response rate is now at 50 per cent, which McKinnon sees as encouraging given one of the biggest risks to the project is that people tire of the initiative and stop engaging. The team is striving to get people in the organisation involved in change initiatives that suit them. They have developed a risk scenarios board game, for example; interactive, risk-culture training; and a suite of other activities that aim to appeal to their diverse staff base. The lessons learnt are filtered through to wider training and induction programmes. The activity that the programme has generated, the conversations it sparks and the way the business listens and acts on those is creating a more visible, stronger risk culture in HSS.

## Risk framework

Dutch arrived at HSS about two years ago – not long after HSS's operational risk framework had been rewritten. His responsibility was to ensure it was fully embedded into the business. The framework comprised 14 components, of which culture was one. The new risk culture project presented a good opportunity to ensure that the people side of

> **Now people turn up and they talk about their business and risk and controls and how they have been monitoring them for themselves**



operational risk management was treated with the same seriousness as the process and technology side.

"We have found it really powerful to work alongside the culture programme and think about what culture means in practice as you start to embed a risk framework into the business," he says. While culture can be a hard concept to get to grips with, the specific risk culture initiatives at HSS have helped Dutch focus on some of the issues that those projects aim to overcome or improve.

For example, if there is a risk escalation process that needs to be addressed, Dutch considers the process side and its timeliness but also asks if people are risk-aware, comfortable to speak up and adequately trained; whether, in short, there may also be specific cultural issues that need addressing. "That's an example of where the risk framework and culture come together in a more explicit way than would probably have happened otherwise," he says.

Over the last year, Dutch and Noon have been working to raise the level of awareness among staff, emphasising that they are the owners of the risk and controls in their part of the business and creating a debate as to what that means in terms of day-to-day behaviours and decision-making. "When I first joined, I'd turn up with John Lloyd at a risk and control committee meeting and we would be telling the risk owners about their own risk," he says. "Now people turn up and they talk about their business and risk and controls and how they have been monitoring them for themselves. It is a big mindset shift. It is about creating a risk culture and the ownership, awareness and leadership that it brings to risk management."

## Keeping momentum

McKinnon and Noon have moved onto other projects, and Vilma Midveryte, senior manager, risk strategy and initiatives in the control office, has stepped in to take the risk culture initiative to the next stage. Her first move was to boost the number of working groups from 11 to 40 with over 80 individuals who are either sponsors or champions for the programme. When existing people in the network start getting bogged down in work – all of the activity on the programme is voluntary – Midveryte may help find a replacement to keep the energy for the activities high.

A volunteer's time commitment to the programme can add up. To run an awareness week in a centre like Kolkata, for example, which has about 800 staff, could take weeks of planning and preparation, with some people needing to commit to it full-time. Similarly, the global roll-out of 300 copies of the risk board game requires slick organisation and planning. Here, Midveryte has been experimenting with different approaches to make it as easy as possible for individuals to participate. One method has been to ask everyone who plays the risk game to share the results but then find one other team of people who will do the same, thereby spreading this activity across a wide group of employees. She also makes sure that volunteers get regular recognition from the central team for their work.

Midveryte is thinking about how the project can be renewed and refreshed over the next few years. She wants those coming into the business to understand how important HSS's risk culture is and invite them to get involved from day one. "There is also a particular risk that, when things start to improve and people see what they have achieved, that they will be tempted to drop off," she says. "That is why we will need to keep reinventing ourselves and understanding better how we can keep that focus and interest going."

# The next generation

The business landscape is changing rapidly and risk management is preparing to meet those challenges, as delegates at IRM's Risk Leaders 2018 conference heard

BY ARTHUR PIPER

Businesses and organisations often pay too little attention to political risk, according to Sir Mark Boleat in a keynote address at this year's IRM Risk Leaders 2018 conference. Given the huge impact that Brexit will have on businesses in the UK, for example, he questioned whether risk managers pay enough attention to political risk today.

"Political risk has not traditionally been on risk registers because in the past, general elections did not pose a significant risk as the parties were relatively well aligned," Sir Mark, who is former policy chairman, City of London, told over 180 delegates attending the conference. "Brexit has changed everything because businesses do not know what their trading relationship will be over the coming years."

He said that the UK could "crash out" of the European Union on 29 March 2019, the date when the provisions of Article 50 that govern the exit provisions expire, or trading relationships could remain the same until 2020 and beyond. "Brexit negotiations could continue for years and years and years," he said.

## Getting political

He said that risk managers had a responsibility to factor in political risk in their overall assessment of

> If business does not engage adequately with politics it can hardly be surprised if the political system makes decisions that it does not like


> **The questions is, how do we make a post-job future wonderful?**

**Left:** Sir Mark Boleat. **Below:** Prof. Daniel Ralph


the threats and opportunities facing their organisations. While he said that it was easy for people to believe that they understood political risk instinctively – as opposed to more technical risks, such as cyberthreat – in practice, businesses seldom understood political processes well enough to assess their likely outcomes.

Such ignorance and false confidence was easily combated by reading books on how such processes work. "It is really not difficult to understand how political decisions are taken, what drives the politicians and what is going on in the political world," he said. "There are any number of books that adequately explain what politics is really like, such as Tim Shipman's *Fall out – a year of political mayhem*.

Sir Mark said businesses could seek professional help from consultants and provide themselves with business sites in different locations. "One way of mitigating political risk in Britain is to have the ability to switch business to other locations, and there are some other jurisdictions that seem very keen to attract business at present," he said.

Finally, he urged businesses to engage with their political leaders at all levels. He said that politicians from local councillors to Members of Parliament need to be educated about what the implications of their policy proposals may be from those businesses most affected. "If business does not engage adequately with politics it can hardly be surprised if the political system makes decisions that it does not like," he concluded.

## Diversity

The top four risks that businesses are currently focused on are financial, operational, regulatory and reputational, according to Professor Daniel Ralph, of the Judge Business School, Cambridge University. Presenting the recent findings of the IRM-sponsored *Risk management perspectives of global corporations* (see pages 24-27 in this issue), he said that while organisations naturally put most of their risk management efforts into these top priorities, they should also pay attention to low-ranking risks that are likely to grow in importance.

While diversity and gender risk did not rank in the study's top ten, they were "very much in the public domain," he said. Studies directly linking diversity in a business' employee base and increased productivity existed, but were sometimes controversial, he said. But the report also noted that the business case for greater diversity also has been made in the form of improved company governance. This included better practices in


**Above left to right:** Paul Mather, Amelia Kallman and Calum Chase

> Criminals are already looking at ways to capitalise on the latest technology and cutting-edge research

**Below:** Charlie McMurdie


managing broader stakeholders by taking greater care in sustainable environmental practices, enhanced corporate social responsibility, organisational culture, recruitment and retention of talent.

"Liability risk is a general concern for all large companies, and gender and diversity present liability exposures," he added. "The potential for large financial losses exists and companies are actively trying to manage this risk."

## Technology risk

The conference enjoyed a lively panel discussion on the opportunities and risks generated by increased digitalisation. The author Calum Chace said that while the world had seen and benefited from an exponential growth in computing power, that trend would most likely continue for the foreseeable future. He said that many of the predictions that envisaged large-range job losses because of automation were likely to come true within a generation. "The questions is, how do we make a post-job future wonderful?" he asked.

Amelia Kallman, a futurist, speaker and author, said that the next few years could represent "the last say over how artificial intelligence goes". She said that a lack of long-term studies on the effects of technologies on the physical and mental health of users posed a problem for both society and risk managers. For example, the emerging field of "gaming transfer phenomena" had found that people who played certain computer games lost the sense of risk associated with crossing a road. On the other hand, AI may enable risk management to become more easily embedded into systems across a wide range of activities.

Paul Mather, group head of ERM at Shell, said that risk managers needed to understand how to support their organisations as they adopt emerging technologies. "Risk managers need to understand what their organisations do that creates value," he said. "They also need the right mindset to deal with complexity and understand that they cannot understand all risks but can bring together the right people who do."

Charlie McMurdie, senior cybercrime advisory at the consultant PwC, said that criminals were already looking at ways to capitalise on the latest technology and cutting-edge research. She said that it was important to ensure that people within each business were responsible and accountable for the technologies that were in place. "What worries me most is that businesses are connecting things that were not built to be connected to the internet and nobody takes responsibility for the security surrounding those devices," she said. Domestic appliances, such as toasters and kettles, could easily be connected to a system's network, so risk managers should ensure that every device in their organisations is properly accounted for.

## Wider stakeholders

Risk managers have a much larger base of stakeholders than they used to, which is moving ethical considerations further up the risk agenda, said Annette Mikes, professor of accounting and control at the University of Lausanne. She said that these issues came to the fore when organisations collaborated on risky operations because there were seldom effective ways of co-ordinating the ethical priorities of each organisation. For example, in multi-nation rescue or aid operations, the representatives of different countries often had different priorities, which put those projects in danger of failure. “Risk managers need to adopt processes that link values to the prioritisation of actions in decision making,” she said.

Risk managers are often comfortable in dealing with operational risks, but less so when it comes to strategic risk, said Dr Ros Rivaz, non-executive director and former chief operating officer at Smith and Nephew. “When you are talking about strategic risk, if you are not ‘out there’ it is not really a strategy,” she said. Having a decentralised response to risk was key because information is no longer held at the top of an organisation, but distributed throughout the business. In addition, embracing the views of different people both inside and outside an organisation helped organisations understand the social context of their strategy and risks.

“Finally, organisations need to realise that a whole lot of impacts on their strategy are not data driven, so while data is important, it is not always the decisive factor,” she said.

**IRM’s Risk Leaders 2018, *The next generation of risk management*, took place in London November 15, 2018.**

> **When you are talking about strategic risk, if you are not ‘out there’ it is not really a strategy**


**Above:** Dr. Ros Rivaz

**Below:** Annette Mikes

# Being influential in the boardroom

Risk managers need to develop situational intelligence to cope with the dynamic needs of their boards

BY ANNA BATESON AND LAURENCE LYONS

Driven by an increasingly informed and demanding society enabled by digital connectivity, governments have multiplied the regulatory and legislative requirements for boards in public, private and third sector organisations to provide better evidence of their robust strategic decision-making processes. Given the high level of scrutiny, individuals sitting in those boardrooms can be in little doubt of their collective and individual responsibility, accountability and liability.

> Effective boards establish robust and transparent decision-making, tracking and reporting

## The board perspective

Boards are asked to be clear about their organisation's purpose, strategic intentions, value-delivering business model and approach to risk. They manage the conflicting priorities of delivering short-term organisational health and planning for a sustainable, long-term future. The stakeholders with an interest in their strategic decision-making also make conflicting demands.

The way each board fulfils its remit to establish the risk management framework – appetite, policies, processes and governance – will vary between organisations based on variables such as sector, competition, location, size and

**Below:** Anne Bateson

> Experienced risk professionals develop a reputation for being trusted board advisors

**Above:** Laurence Lyons

complexity. Effective boards establish robust and transparent decision-making, tracking and reporting. They provide stakeholders with a fair, balanced and understandable presentation of performance and prospects and a focus on principal risks in the achievement of long-term strategic objectives. Their consideration of principal risks encompasses circumstances that might threaten the organisation's value-delivering model, future performance and current financial and reputational health.

Board evaluation findings evidence tendencies to delegate responsibility for risk oversight and to focus on operational processes and detail rather than strategic and trend information. The principal risks associated with cultural and relationship failures are widely accepted, but active tracking of motivation, attitudes and behaviour require more resources than are generally applied.

Investors, regulators, commentators and government are paying significant attention to the contribution of board strategic decision-making and behaviour to organisation failures.

One of the most high-profile recent examples of motivational risk is highlighted in the joint inquiry into Carillion conducted by the Work and Pensions and Business Energy and Industrial Strategy select committees. Published in May 2018, the report highlights failings in strategic risk management and a lack of attention to the principal risks which could threaten the organisation's operational and strategic performance. The conclusion states that "The chronic lack of accountability and professionalism now evident in Carillion's governance were failures years in the making. The board was either negligently ignorant of the rotten culture at Carillion or complicit in it."

Conversely, effective boards develop strategic processes which recognise the purpose for which their organisation exists, are informed by a true understanding of their organisational capability and are aware of the changing environment in which opportunities will arise. Stakeholder insights are listened to, strategic assumptions are checked, alternatives are explored and strategic choice is informed by explicit and commonly agreed criteria.

## The risk professional's perspective

Greater value is now placed upon the professionals who enable boards to function effectively and demonstrate that their strategic decision-making process is both robust and evidence based. Risk professionals contribute expertise, but how can they ensure that their insights inform discussions at an early stage and contribute to the effective governance of their organisations rather than simply proving compliance?

The challenge for risk professionals

is to establish real engagement in the strategic decision-making process so that strategy and risk are explored together.

Effective risk professionals have learnt the language of business. They position their inputs in strategic and commercial terms, synthesising multiple data sources and enabling their boards to think and decide in a considered way. Their influence at board level is based on providing accessible, timely board intelligence, building trusted relationships and developing agile thinking to anticipate and respond to internal and external changes in the strategic context.

Experienced risk professionals develop a reputation for being trusted board advisors. They position the value they provide in constructively challenging and actively supporting the board of directors in determining the nature and extent of the strategic risks which their organisation will need to embrace or mitigate in order to achieve strategic objectives. These individuals are not lucky; they are situationally intelligent.

It is commonly understood by the risk professional community that the last five years have seen a significant change in their role. The change has been experienced in a range of organisations, not only those which are regulated. The role of risk professionals is dynamic and their profile is increasing in importance.

Excellent practitioners navigate complex relationships using situational intelligence. They develop the ability to effectively inform and influence strategic decision-making by finding opportunities to engage in dialogue, identifying motivational risk and tailoring their insights to engage with each individual.

## A tool kit

Based on consolidating insights from a 30-year collaboration, Anna Bateson and Laurence Lyons provide a practical framework and language for developing situational intelligence. If you understand the strategic context in which you operate, can establish the objective you want to achieve in the situation, identify the stakeholders you need to engage with, and recognise your own strengths and reputation, then you can engage with each stakeholder in a way that recognises their motivation. You build a community of individuals who are motivated to help you achieve your objective.

Your first challenge is to access the boardroom. Only by spending time with strategic decision-makers is it possible to observe their thinking and behaviour in specifying and consuming the board intelligence you have been asked to provide. Identifying the forum where strategic risk conversations take place and ensuring that you are there will increase the level of influence you have with the board.

Once you have a place at the table, the next challenge is to understand the motivations of the other stakeholders. An individual's motivation is not static; it varies depending on the situation. Building an understanding of the motivations of key strategic decision-makers in each situation enables you to present board intelligence in a way which engages the board and contributes to constructive challenge and evidence-based decision-making. Building that understanding may take place outside formal activities, with each conversation providing an opportunity to develop better insights.

## Understanding the Motivational Risk Model

**Scenario:** In each situation there are MEANS (available capability and resources) and ENDS to be achieved (objectives and desired outcomes).

**SITUATIONAL INTELLIGENCE MODEL**


Source: *The LyonsBateson Reference Model © 2012 Laurence S Lyons and Anna Bateson*

**Motivation:** Each individual is motivated by LOGIC (I need facts, evidence), INTEREST (What's in it for me/us?) VALUES (How does this fit with my view of what is good and right?) EMOTIONS (How will this build our relationship and make me/us resilient?).

**Dialogue:** enables us to create conversations which recognise and respond to an individual's motivation and develop INSIGHT into the appropriate application of our effort.

## Applying the Motivational Risk Model to a scenario

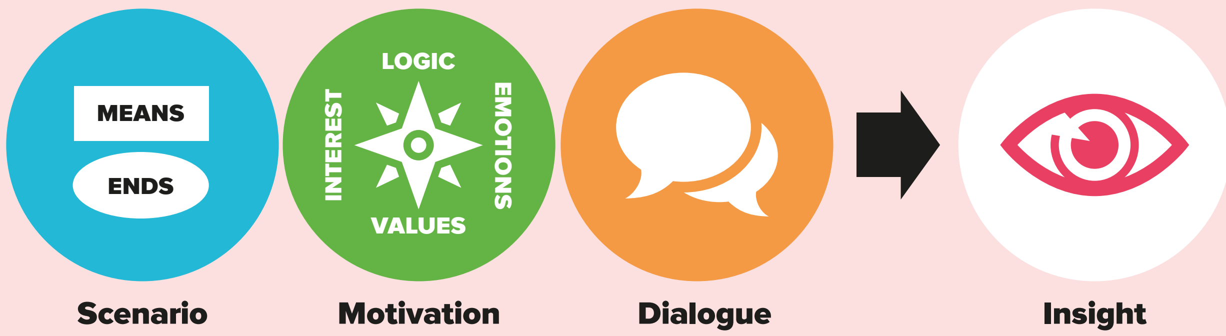
For example: A hypothetical engineering and project management consultancy provides services to clients globally. Premium listed on the London Stock Exchange, with a turnover of £2 billion and a headcount of 11,000 people, the group operates in 70 countries. By developing this footprint, the organisation has mitigated some of the strategic risks associated with the marketplace for their services.

The board of eight directors consists of a non-executive chairman, four independent directors and the CEO, COO and CFO. The four board committees (audit and risk, nominations, remunerations, and health, safety and the environment) are chaired by the independent directors. The executive committee contributes through the three executive directors on the board. Input from the risk professionals is generally commissioned by the CEO or requested by the chairman of the audit and risk committee.

The audit and risk committee chairman is concerned that the board is not engaged in thinking about enterprise risks and their implications. Accountability appears to have been passed to her committee, and the board goes through the motions of strategic decision-making without informed discussion of the risks associated with strategic choices. She has a good relationship with the risk professionals in the company and would like to raise their profile so that the business intelligence they provide is listened to by all the board.

The last board evaluation indicated that the link between board decisions and evidence needs attention. Shareholders have advised

## MOTIVATIONAL RISK MODEL




Source: *The LyonsBateson Motivational Risk Model © 2018 Laurence S Lyons and Anna Bateson*

the investor relations team that they find the reporting insufficiently transparent. The board has scheduled a workshop to explore how the current strategic risk management process can be improved and become more robust and transparent, and you have been invited to attend.

The chairman introduces the workshop objective as a common desire to agree how to modify the approach to strategic risk management in order to engage stakeholders appropriately at each stage.

The CFO highlights the need to gather evidence to show how risk is assessed and reported across the portfolio.

You recognise that the CFO is motivated by LOGIC and listen as the conversation develops. The board wants to understand how risk analysis and strategic decision-making should fit together, how regularly risk appetite should be reviewed, how transparent the risk management process is and how risk oversight could be improved. You provide information and ask probing questions to evidence the value you provide. You gain an insight into the level, format and frequency of board intelligence required and your future involvement in the strategic decision- making process.

Early in the workshop, the COO declares that the matter should be left to the audit and risk committee and is not a board issue. The chairman of the audit and risk committee is quick to point to research showing that organisations with greater board risk oversight involvement tend to have more mature risk management practices and achieve better operating performance. You confirm that research was carried out through INSEAD in 2016 across publicly quoted companies in 28 countries. The conversation continues and explores how best to deliver strategic objectives and govern effectively while using the board resources available. You listen and identify the misalignment between the board and the expectations of other stakeholders. Clearly they don't all share the same motivational INTEREST. Your critical insight is understanding who believes the proposals are not in their individual or collective interest.

The chairman of the remunerations committee is concerned to establish how the treatment of risk aligns with and reinforces the organisation's ethical policy. You identify that she is motivated by VALUES and listen as the conversation develops to embrace reputational risk, fraud and the need to create a clear "Tone from the Top" to promote the desired culture throughout the organisation. The chairman asks probing questions to establish what the board is not prepared to do in pursuit of its strategic objectives, and you are able to clarify some of the boundaries to the risks the board is prepared to take. Your insights include the extent to which values and ethics inform strategic decision-making.

The chairman of the health, safety and environment committee occupies his usual chair next to his friend the CEO and is keen to support him. He asks why there is a need to commission external risk expertise when the organisation's internal audit and risk departments are so well run. You identify that he is motivated by EMOTION and you watch the body language of the directors as the conversation develops. The chairman asks for confirmation of the extent of external expert use and highlights the need for the right independent review to address scepticism in the way the organisation makes strategic decisions and assesses risk. You gain a valuable insight into where relational tensions exist.

> “The role of risk professionals is dynamic and their profile is increasing in importance

**Anna Bateson is the founder of strategy consultancy *Cutting Through The Grey* and a Fellow of ICSA, The Governance Institute www.cttg.org. Dr Laurence S Lyons is Visiting Academic Fellow at Henley Business School and an expert in organisational change. www.lslyons.com**

# Honing the tools

With corporate vulnerability increasing, risk managers need to sharpen the focus of their work to target imminent threats, according to a recent IRM-sponsored report by the Cambridge Centre for Risk Studies

BY SARA KAMIYA

Corporate vulnerability is increasing. Out of all the companies publicly listed in the US only 200 made a profit in 2015 – the remaining 3,281 made a loss (see *Corporate vulnerability*).

Even so, the issue of managing a corporation's collective risks is not often raised in the same discussion as maximising shareholder value.

This vulnerability puts managing enterprise risk high on the corporate agenda. The top enterprise risks over the coming 12 months include financial, operational and regulatory risks (see *Top 10 enterprise risks for coming 12 months*), according to the study *Risk management perspectives of global corporations*.

Yet for many corporations, such risk identification is an art form driven by intuition and gut-feel. How these risks are communicated is also eclectic and qualitative. Many risk management teams contribute to risk reporting through outlets such as the UK longer term viability statements and the US 10-K filings. Corporations often create internal risk registers and use them to help provide structure across disparate divisions of their company. Although risk registers can provide a holistic sense of risks, their qualitative nature can be a limitation without a process for comparing and prioritising risks.

> **For many corporations, risk identification is an art form driven by intuition and gut-feel**

## CORPORATE VULNERABILITY

Corporations must contend with both internal and external risks that threaten their business models. They are faced with continuing and growing pressures from a large set of stakeholders and are keenly aware of the many potential negative factors that can have an impact on corporate profitability and longevity. In the US, there has been a reduction in the number of publicly listed companies from 8,000 in the 1990s to 3,627 in 2017 and a reduction of 23 publicly listed companies for every million inhabitants in 1975 to 11 in 2016. More fundamentally, only 200 of the top companies by earnings accounted for all the profits in the 2015 US stock market. The remaining 3,281 publicly listed companies lost money.

Corporations rely on independent governance structures, in a wider regulatory and legal system, that dictate their operations; however, precedence suggests that they have the potential to rapidly become state responsibilities during times of distress. The concept of widespread bail-outs of "too big to fail" financial institutions was probably unimaginable in previous decades.

The potential for scenarios of systemic failure and collapse manifesting in the real economy are lessons painfully learnt from the Great Financial Crisis. Likewise, it is feasible that corporations or entire sectors could be central to future systemic events. In the next several decades, "too big to fail" status could conceivably extend beyond financial services firms to companies in the technology, energy, health, automobile or defence sectors. Triggers such as debt and liquidity events, financial crises, mass litigation, demand destruction or cybersecurity attacks could swiftly threaten the viability of entire corporations, leaving governments as creditors of last resort for many of these "too big to fail" companies.

## Multiple sources

Understanding a corporation's risks involves integrating multiple sources of information. Only 33% of survey respondents feel that third parties have high visibility into their top risks. Senior risk managers, financiers of credit, ratings agencies and investors identify similar informational sources in helping to understand a company's risk. Financiers, however, place greatest weight on the financial statements and the quality of management in forming an accurate picture of a company's risk profile. They also report relying on internal databases and analyst statements to form a more complete picture.

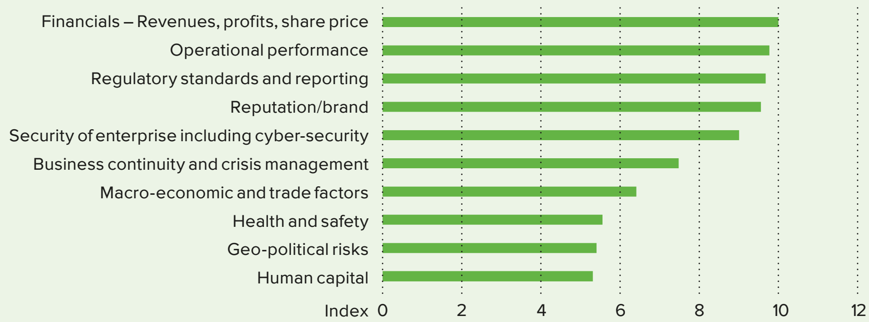
Enterprise risk management (ERM) teams have a broad remit to protect the corporation against any risks that might have negative impacts, leading to losses in firm value or future earnings. They are expected to show their value by not only protecting the business but also aiding in the business strategy process and ultimately helping to enable the business. It is notable that enterprise risk activities are often independent of the corporate finance or insurance purchasing functions.

The Cambridge Centre for Risk Studies' research confirmed that ERM departments varied widely in their remits, scope of responsibility, influence within their organisation and budget allocations. Unlike other corporate executive roles such as the chief financial officer and chief operations officer, it found that titles such as head of ERM and director of operational risk management did not have much uniformity across companies. The question "What is the function of the ERM department in your company?" elicited very different responses.

## Wide-ranging

The breadth of risks considered by the ERM teams are wide and varied. Once a clearer understanding is gained of a corporation's enterprise risks, then arguably, strategic decisions can be made around managing those risks. ERM theorists support the concept of corporations holding specific risks where they have core competencies in managing and mitigating those risks, thus a comparative advantage. Otherwise, a company would transfer its other "non-core" risks to takers of the risk at a reasonable price. In some cases, large multinational corporations have footprints that are so expansive that such takers of risk do not have the balance sheets to cover these risks. Consequently,

## TOP 10 ENTERPRISE RISKS FOR COMING 12 MONTHS




Source: *Risk management perspectives of global corporations*

## TOP 10 RISK MITIGATION STRATEGIES CURRENTLY BEING PLANNED AT COMPANIES


Source: *Risk management perspectives of global corporations*

> The question 'What is the function of the ERM department in your company?' elicited very different responses

many corporations bear their risks with their own balance sheets – commonly referred to as self-insuring – or using captive insurance.

What is the value proposition of ERM departments? Comments from workshop participants and interviewees suggest value but not without controversy. They suggest that similar to other cross-functional groups, the ERM teams provide overarching services versus providing measurable value through profit and loss activities. Additionally, their roles are often perceived to limit business opportunities in contrast to other departments such as strategy and business development.

Against this backdrop, ERM teams compete for budget to fund their initiatives. Participants indicate that ERM teams are gaining visibility throughout their organisations by participating in core operational and strategic discussions. Key areas of support include compliance and reporting of material risks, supporting key decision-making towards strategy, markets, operations from a risk perspective, managing and mitigating risk and uncertainty given decisions made by company departments external to ERM, and providing a longer-term view in supporting the company's decision-making.

## Risk tools

Based on Cambridge Centre for Risk Studies' research using participant feedback, it found that many companies rely on internally developed tools and approaches to support the management of the majority of their risks. Interview participants indicate that appropriate market tools are limited in their capacity to satisfy their requirements and address many of their top risks.

Many risk managers report that spreadsheets and other self-designed tools are the primary tools in use to support ERM requirements. Senior executives from risk and business functions note that different risks have different timelines and parameters for effective comparisons. For example, risks relating to corporate social responsibility were cited as being outside the viewpoint of heat maps and other typical visualisations of risk management tools. ERM and strategic planning and assessment were ranked as the top way to planned for an uncertain future (see *Ways to plan for an uncertain future*).

What is particularly interesting is the lack of maturity in the development of risk management tools to support the risks that feature in the top ten list. This includes geopolitical risks, reputation, company viability and macroeconomic and trade factors (see *Percent of dedicated risk management tools per risk area*).

A discussion covering the availability and utility of dedicated ERM tools was held during a focus group session with ERM directors representing a cross-section of sectors. The priorities for better tools for viewing and assessing risks were raised in parallel at the board level and at the level of the ERM teams. Board risk committees are common in financial services companies, but less so for non-financial companies. Nevertheless, board members across all sectors are responsible for understanding a broad set of risks that their companies face and seek a consolidated view of these risks.

## Mitigation strategies

Survey respondents were asked to rank the top ten risk mitigation strategies that their companies are currently planning (see *Top risk mitigation strategies currently being planned at companies*).

They tended to list as priorities mitigation strategies relating to their workforce rather than the purchasing of risk transfer instruments through capital or insurance markets. The top mitigation strategies include increased training around the company's critical operations, balancing staff and strengthening risk culture. Specific business-focused mitigations include adjusting product offerings, changing geographical footprint of operations, divesting business units and modifying supply chains.

Given the current period of global uncertainty, risk management has a critical role to play in helping organisations both survive and thrive. Maturing the risk management tools to support the risks on the top ten list of enterprise threats is an important step on that journey.

Download *Risk management perspectives of global corporations* https://bit.ly/2RWb1BY

> "There is a lack of maturity in the development of risk management tools to support the risks that feature in the top ten list

### WAYS TO PLAN FOR AN UNCERTAIN FUTURE

1. ERM and strategic planning and assessments
2. Improved processes and metrics for strengthening risk culture through organisation
3. Greater role of ERM in setting and monitoring risk appetite
4. Quantified assessment of strategic risks and opportunities
5. Quantified loss or damage assessments for the major threats to your organisation
6. Quantified assessments of mitigations (measures and capabilities) to respond to shocks to the organisation
7. Integrating ERM and balance sheet planning and assessment
8. Integrating ERM and ESG planning and assessments
9. Insurance policies for threats that are not currently insurable
10. Other

Source: *Risk management perspectives of global corporations*

### PERCENT OF DEDICATED RISK MANAGEMENT TOOLS PER RISK AREA

| | |
|---|---|
| Financials – Revenues, profits, share price | **65%** |
| Operational performance | **57%** |
| Business continuity and crisis management | **55%** |
| Health and safety | **52%** |
| Security of enterprise including cyber-security | **52%** |
| Financials – Debt, pensions and obligations | **50%** |
| Regulatory standards and reporting | **49%** |
| Human capital | **38%** |
| Legal liabilities including taxation | **35%** |
| Credit rating | **31%** |
| Reputation/brand | **31%** |
| Environment and sustainability | **27%** |
| Company viability | **26%** |
| Market share | **24%** |
| Macro-economic and trade factors | **19%** |
| Natural catastrophe and climate | **19%** |
| Devaluation or damage of physical assets | **18%** |
| Geopolitical risks | **14%** |

Source: *Risk management perspectives of global corporations*

# Risk in demand

The risk recruitment market has been expanding over the past few years but the range of skills, experience and qualifications needed is in a state of flux

BY JO POWELL

With risk management apparently continuing its climb up the list of priorities for the boards of many companies, the risk management jobs market has remained buoyant in 2018. There are of course a number of ongoing issues that may have an effect in the near future – Brexit and technological developments such as artificial intelligence, for example – but according to Marcus Panton, co-founder and director of The Audit & Risk Recruitment Company, it's "steady as she goes" right now.

Panton, whose company recruits into audit and risk roles within FTSE100/250, Euro250 and Fortune500 companies, professional services firms, banks and financial institutions across the UK and Europe, says that there has been a gradual increase in recruitment over the last 18 months.

"The demand doesn't seem to ebb and flow – it stays there and increases gradually, with no sudden rocketing or dying down," says Panton. "Every year we see risk is slightly higher up the agenda of those in charge, and is becoming a more important part of how a business operates and how decisions are made."

Compared to professions such as accounting,

> **Every year we see risk is slightly higher up the agenda of those in charge**

**Above:** Marcus Panton

> Employers don't just take qualifications into account

Panton says that risk is still very much in its infancy, morphing, growing and attracting people from all sorts of backgrounds, although usually financial, audit or compliance. He says that whichever background people come from, strong interpersonal skills are what hiring managers are looking for.

"The softer skills are crucial because one of the key jobs for someone working in risk is to communicate their message to the right people and get those at executive level to buy into what risk management is all about. A chief risk officer, for example, needs to be able to influence change and get risk on the agenda of all the relevant people across the business."

Candidates need to give specific examples that clearly demonstrate they have these softer skills and that they have worked at the right levels, and to give specific examples that show they have successfully influenced key people and made change happen.

In addition, he says he would always recommend that individuals undertake further study, such as IRM qualifications and certifications, and continuing professional development to help improve their skills and experience (see *Putting in the hours*), adding "it's only ever going to help someone further down their career".

## Specialist skills in demand

Panton points to a potential issue of supply and demand, with companies sometimes struggling to find the calibre of candidates they're looking for. In his experience, this in turn has led to a growth in the market for contract positions, as firms sometimes fill any gaps with interim hires while they continue looking for a permanent team member.

Deepan Sakthithasan, manager – credit, risk & quantitative finance at recruitment specialist Morgan McKinley, says their busiest areas over the last couple of years have been those with a regulatory focus and those involving quantitative analytics. These roles require professionals to be more quantitative in their approach and, within credit risk, a knowledge of deep leveraged finance is a major benefit for candidates.

For these roles, he says companies are mainly looking for candidates with a PhD in a science, technology, engineering or mathematics (STEM) field, with one to three years' experience in a quantitative research position. But it's not just qualifications that employers take into account;

they are increasingly looking for candidates who are more proactive and flexible in terms of their CV.

"Employers like to see that candidates have done different things in their career as this demonstrates that they are pushing themselves and not stagnating in a role," says Sakthithasan. "However, on the flip side our clients don't want people to be too 'jumpy'; we've noticed in the last 18 months that they are now looking for people who have stayed in a job for a minimum of three years, whereas previously it seemed that around two years was an okay time to make a move."

One aspect of the evolving job market that may inspire candidates to make a change is the upcoming deadline for the UK leaving the EU, and Sakthithasan says that a number of their clients have been focused on expansion plans outside of London and the UK and are actively building experienced risk teams in various locations including Dublin, Frankfurt and Paris.

He says: "We're seeing a lot of increases in hiring in these areas, and we sometimes find that candidates have a worry in the back of their minds that they're going to get an email out of the blue telling them their department is being relocated to Dublin for example. They may choose to act proactively instead, making a move for themselves rather than waiting for news, and they may return to London when things get back to normal."

## Digital risk roles rising

Companies are increasingly looking for people who are more digitally savvy, and experience of cyber risk helps candidates show they are adapting to new threats and opportunities. Sakthithasan anticipates that this trend will lead to more dedicated digital risk roles.

Cyber risk is also cited as a real growth area by Antony Berou, principal consultant at recruitment specialists Barclay Simpson. In a survey of employers carried out for their 2018 market report, one third of respondents said they expect cyber or IT risk to become the greatest area of demand in operational risk in 2019.

Berou says there is also a growing demand for staff in operational risk from the asset management sector following a series of reviews conducted by the FCA which identified concerns relating to risk controls and capital. This has led to a sharp increase in demand throughout 2018 for candidates with ICAAP experience, a trend anticipated to continue into 2019.

"Businesses are now looking to find the right people who can understand governance and control frameworks, policies and regulations around capital adequacy, for example – it's a very busy sector of the risk market," says Berou.

"The risk market is extremely diverse and, whilst some areas are buoyant, others are less so. For example, there have been fewer roles at director level and above in the credit and market risk departments of large banks. There are several reasons for this. Capital constraints have reduced the trading volumes; however, overheads remain high and return on capital is still significantly below pre financial crisis level. In addition to this, banking losses in recent years have resulted from issues related to conduct, control breakdowns, money laundering etc. Bank senior management looking to manage cost may be thinking that they need to invest in those areas to prevent these kinds of losses in future and have looked to credit and market risk departments to make cost savings."

## Employers may be more flexible

As far as the balance of roles goes, Berou says that risk management recruitment remains overwhelmingly driven by permanent hires. There is still a demand for interim contracts

**Below:** Antony Berou

> **Employers overwhelmingly tend to recruit candidates with specific industry experience**

for maternity and long-term sick cover, or where a particular change initiative is going on such as the introduction of new systems or regulation; however, in credit and market risk roles where an individual is dealing with a high level of sensitive information, clients tend to prefer permanent staff. “When two banks are competing for a client’s business, they wouldn’t want a contractor going to a competitor and taking client or deal sensitive data with them” says Berou.

Employers overwhelmingly tend to recruit candidates with specific industry experience; however, Berou says there has recently been a loosening of this requirement. While it’s still a requirement for candidates to have relevant technical skills, he says that there are instances where employers are becoming more flexible in relation to sector-specific experience, most notably with more junior candidates who may be two to four years into their career and still learning their trade.

“We are finding now that there is a real intent to fill vacancies, with companies working with us to get to offer stage relatively efficiently compared to previous years, which is great for all parties involved.” For those looking for a new challenge, 2019 looks like it will offer plenty of opportunities.

> “Cyber and IT risk will become the greatest area of demand in 2019

## PUTTING IN THE HOURS

Sarah Christman

### Continuing professional development can really help a career, which is why IRM has boosted its offering

The IRM offers a range of continuing professional development (CPD) opportunities to help members enhance skills and employability, from attending training courses or conferences or participating in a special interest or regional group event (often referred to as formal CPD), to completing a piece of e-learning or reading relevant material, including *Enterprise Risk* (informal CPD).

Sarah Christman, risk director and member of the ERM in Banking and Financial Services Special Interest Group (SIG), took advantage of the IRM’s CPD opportunities to help advance her career.

“I decided to undertake the IRM diploma when I moved from a second-line compliance role to a first-line risk and control role. My employer had declared a company-wide objective to be exceptionally well managed so it seemed like the right time to build on my previous compliance certification with a more well-rounded risk education.

“Another aspect of timing for me was personal. My older son was studying for his GCSEs during the latter two years of my diploma and studying together became an event. It meant accountability and bonding time together.

“When I started the course I was business risk officer in a customer service operations division; by the time I completed the diploma three years later I was director of the UK and Ireland risk function for a data, analytics and technology company. What made studying with the IRM so valuable was that, not only did I satisfy my need to learn, I also picked up tools and practices that I could put to use right away.

“I got involved with the ERM in Banking and Financial Services SIG because I wanted another channel for learning specific to my industry. The SIG has been a great source of learning and a fantastic networking opportunity through events and subsequent contact via social media with other members and industry colleagues from thinktanks, universities, banks, building societies and consulting firms.”

CPD is compulsory for IRM-qualified members except retired and honorary members and those studying for the diploma. Members should complete 30 hours of CPD in any membership year, of which at least half should be formal learning.

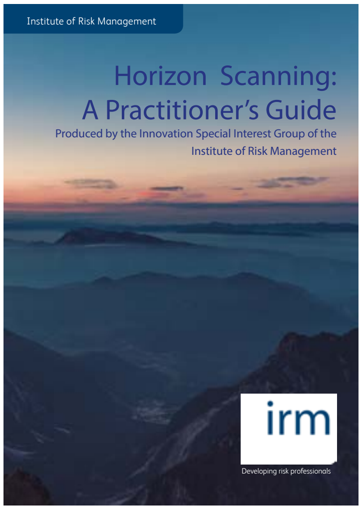
Members should keep a record of their CPD activities and can use the personal development record and action plan available on the IRM website. Each year, randomly selected members are asked to submit a CPD return and anyone found not to have completed the required CPD may face a loss of membership.

**For further information, contact the Membership Team on membership@theirm.org**

# Harnessing the future

*Horizon scanning is often talked about as an effective tool in identifying emerging risk – a new guide by IRM offers practical advice on the advantages of this approach for risk managers*

The varieties and uses of horizon scanning are spelt out for risk managers in IRM's new *Practitioner's guide to horizon scanning*. Published by the IRM's Innovation Special Interest Group (SIG), the guide offers advice on how risk managers can increase the resilience and reliability of their organisations by challenging assumptions and reviewing the ways that events could unfurl.




The new guide recognises that there are many definitions of horizon scanning, ranging from an organised and formal process of gathering, analysing and disseminating value-added information to support decision making, to exploration of what the future might look like to understand uncertainties better and to analyse whether the organisation is adequately prepared for potential opportunities and threats.

At its heart, horizon scanning is an alerting and creative activity used to identify emerging issues and potential causes of uncertainty, ensuring companies can make adequate preparations, exploit opportunities and survive threats. It is not about predicting the future.

## Looking outside of your own organisation

An important element of horizon scanning is the consideration of information from outside the organisation that can't be found in internal data sources. Looking outside at what is happening in the wider world, or 'scanning the landscape', enables a company to see what is coming over the horizon which could adversely affect its future commercial or other success, and perhaps identify a new direction to take which would give it an advantage in the future market place.

The guide outlines a number of ways in which risk managers can source such information, including listening to the views of futurists, reading information from professional bodies and industry leaders, and keeping an eye on competitors.

## Communicating the results effectively

Effective communication and consultation are essential to ensure that key stakeholders and those responsible for managing risk understand the basis on which decisions are made and why particular options for action are selected.

In capturing emerging risks on the horizon, risk managers should develop a framework for categorising them in order to develop a system of review, and assess their potential impact on the business in the context of the risk appetite of the organisation. This should include the predicted time to impact to help determine the need for a response and the relevant timeframe.

The guide offers advice on the best way to present information to boards and make sure the analysis stands up to scrutiny. This will help risk managers to clearly articulate the importance of assessing the risks on the horizon against the organisational risk appetite, and to encourage a balance between risk optimisation and reward for acceptable risks.

With an ever greater need for horizon scanning – as the world we live in grapples with the impact of technological and demographic changes – risk managers should take an enhanced role as the owner of this technique, and this guide outlines the simple steps to getting the process started.

**To download a copy of the guide, visit: https://bit.ly/2EeR5HN**

## Due diligence solutions

Minimise risk by maximising the data that supports your most critical business decisions. LexisNexis is a leading provider of aggregated global content and powerful business intelligence tools. Protect your organisation from the risk of heavy fines and damage to corporate reputation by accessing the information you need on people, companies and countries. Our cost effective and flexible product modules include: PEP, sanctions, watch list and negative news screening. Enhanced due diligence and reporting. Proactive supply-chain and third-party risk media monitoring. Outsourced due diligence, compliance and risk advisory. Content integration and data feeds (APIs) into proprietary systems.

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## Empowering your resilience

C2 is an established Business Continuity software provider with a continuing commitment to its customers to evolve with the market. Our mission is to provide intuitive and innovative solutions for the global business resilience market and reshape the industry as we know it today. Our Business Continuity Software is used to alleviate and assist with the day to day management of an organisation's Business Continuity Management System requirements. We provide BCM software and practical solutions to some of the world's largest utility companies, world leading finance and investment organisations, global telecom organisations and more. Find out more: https://continuity2.com/

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## Enterprise risk management and risk analysis software

riskHive are an established global provider of professional cloud, intranet and desktop solutions for the management and analysis of RAID (risks, issues, assumptions and dependencies). Being low maintenance, highly configurable and cloud based, the Enterprise Risk Manager application can get you online in under 24 hours, supporting your existing processes and terminology. Easily import existing risk information to quickly produce a consolidated risk portfolio. Relied on by customers ranging from New Zealand through the Middle East to Northern Europe riskHive deliver a truly global ERM solution with a truly enterprise 'all-in' licence.

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## Risk and audit management software solutions

Symbiant are one of the world's leading providers of Risk and Audit management software. The solution is designed for collaboration and comes as a complete suite which can be separated in to Audit or Risk sets. Symbiant is designed for non Risk / Audit specialists to use, simple and intuitive but with a lot of back end flexibility and automated functions. CIO magazine have rated Symbiant as one of the top 20 risk solutions in the World. They have off the shelf or custom solutions to fit all budgets and requirements. Install on your own infrastructure or SaaS. 30 day free trial.

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## Risk, insurance and safety technology solutions

Ventiv Technology is the preeminent provider of global risk, insurance, and safety technology solutions. Working in partnership with our clients to understand their challenges and key business objectives, our solutions adapt to your precise needs and evolve with you. Providing a central platform to work across your company and functions to eliminate silos and help embed risk management. Delivered with Ventiv's extensive risk management and technology experience to provide unsurpassed client value and operational excellence. Ventiv pride themselves on data security and have recently added another certification to their tool belt – ISO27018:2014; standard for protecting privacy in the cloud.

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## Risk management software

AgenaRisk is a model design and execution environment for Bayesian Networks, designed for organisations that need to assess and manage risks in areas where there is little or no data, where direct measurement is not possible, and in the face of new, often novel, circumstances. Organisations use AgenaRisk to model a variety of problems including operational risk, actuarial analysis, intelligence analysis risk, systems safety and reliability, health risk, cyber-security risk and strategic financial planning. Models developed in AgenaRisk can be integrated into a wider service using AgenaRisk Developer and ultimately deployed using AgenaRisk Enterprise.

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## Risk management software

ALYNE – is an industry leading and award-winning, Regulation Technology Software company – that makes it easy for organisations to reduce the cost – of managing risk and compliance obligations and is built by industry experts. ALYNE – is a next generation, cloud solution that makes risk and compliance management as easy as browsing social media. ALYNE – with its unique pre-built library of controls, integrated risks and assessment templates – mapped to regulations and standards, is ready to use out of the box – with dynamic reporting and real-time risk insights. ALYNE's – innovative approach – enables organisations to make the right executive decisions and outcomes – and to drive business advantage.

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## Risk management software

Magique Galileo provides flexible and fully integrated web-based solutions for enterprise risk management, policy compliance, incident management, questionnaires, issue tracking and extensive reporting. Its web interface works with PC, laptop, iPad and other smart devices, enabling the whole organisation to participate in the risk management and assurance processes.

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## Risk management software

Since 2014, Origami Risk is the only company that has been consistently recognised for delivering client success, innovation, and stability, while bringing new ideas and advanced features to the RMIS market. Origami Risk's innovative software is designed with the latest technology and a focus on performance and ease-of-use, providing integrated solutions to the entire insurance value chain, serving Risk Managers, Brokers, TPAs and Carriers. It features powerful workflow, advanced reporting and analysis tools, and intuitive features to improve productivity and better manage total cost of risk—saving our clients time and money and enabling them to be more successful. Learn more at www.origamirisk.com

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## Risk management software

The Protecht Group is a leader in Enterprise Risk Management Software and Services that enables organisations to achieve their strategic objectives through efficient, effective and agile Risk Management. Protecht. ERM™, Protecht's flagship product, has been deployed in a SaaS model since development commenced in 2002 and remains ahead of the curve on innovation and functionality. Used by government agencies, regulators, commercial and not-for-profit organisations of all sizes and risk maturity, Protecht. ERM™ allows companies to seamlessly integrate risk management into their day-to-day activities and gain operating efficiencies through its flexible web-based forms, workflow engine and highly adaptable reports and dashboards. Protecht is more than a software company, we guide you through your risk management journey.

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## Risk management software

Xactium is a cloud based GRC software provider that helps Risk Managers to transform the way that organisations value and manage their enterprise risk. As the central risk platform used by the FCA to supervise the market, it has also been adopted by a wide range of financial organisations such as Direct Line Group, JLT, MS Amlin, Leeds Building Society and Argo Group. Xactium is the world's first enterprise risk-intelligent system, with the revolutionary use of embedded AI (Artificial Intelligence), 3D visualisation and automation that dramatically improves efficiency and creates innovative analytics. Reporting is made easy and timely, and predictive insights enable senior managers to prioritise resources. Overall, Xactium releases more time and resource for the risk team to help promote best practice and demonstrate the value of risk across the business through actionable insight.

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## Risk management training

As the world's leading enterprise risk management institute, we know what great risk management looks like, and what risk management professionals need to know, do and deliver to succeed. What's more, we understand how training works and we are experts in designing and delivering courses that provide the tools and motivation to make change happen. Our short courses and tailored in-house learning and development solutions support hundreds of organisations every year, both in the UK and internationally. Some courses, like the Fundamentals of Risk Management, cover the broad range of ERM skills, whilst others take an in-depth look at specific topics, e.g. Risk Analysis, Risk Appetite and Tolerance, Managing Risk Culture, and Identifying Key Risk Indicators.

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# I'm H.A.P.P.Y.

*Measuring employee happiness is not an easy business but new technologies could pave the way for a more cheerful and productive workforce*

The German philosopher Friedrich Nietzsche once said that only an Englishman would be mad enough to chase happiness. But recently some companies have been attempting to monitor the mood of their employees to improve productivity.

There are a growing number of apps and devices to measure employee feedback anonymously. The most typical display a smiley face at one end of the spectrum and a sad one at the other – and the employee taps at a space on a line that joins those two extremes.

If recent research is anything to go by, there are plenty of people gravitating towards the sadder end of the scale. About half of the US workforce are either unhappy, or somewhat happy, according to a survey by the US employee tech company Teem. In 2017, it found that among US employees 48 per cent were unhappy with their work/life balance, 46 per cent felt underappreciated and 49 per cent said, "today's communication tools make me feel obligated to respond to colleagues regardless of where or when."

As with many common-sense assumptions, psychologists have found a correlation between happiness and productivity. Daniel Sgroi, associate professor of economics at the University of Warwick, published a briefing in 2015 summarising his research in the area, *Happiness and productivity: understanding the happy-productive worker*, which showed that happiness increases worker productivity. Watching a comedy clip for 10 minutes before performing a task boosted a participant's scores.

Image credit: Stephen Plaster / Shutterstock.com

> Watching a comedy clip for 10 minutes before performing a task boosted a participant's scores

Based on that evidence, it is not surprising that happiness has become an area of focus for human resources professionals and that there is a rise in happiness-monitoring devices.

Outside of the lab, though, happiness is not easy to measure. But researchers in mental health, where swings in mood can be the difference between life and death, are on to the problem. Their methods of preference involve smartphones and apps – the very devices that caused the Teem respondents despondency.

While the reliability of wearable and portable mood-prediction technologies is in its infancy, the field is fast growing. For example, Health is an app developed by the US start-up Mindstrong. It monitors the way people tap and swipe their smartphones and tablets to detect shifts in users' moods. The company has been developing the phone app to measure brain function to help health professionals intervene at an early stage with patients with mental illness. But it hopes to move into the prediction business at some stage in the future.

That has obvious benefits for mental health interventions, but Rosalind Picard, an electrical engineer and computer scientist at the Massachusetts Institute of Technology, told *Nature* reporter Matt Kaplan recently that she has high hopes for the technology in the corporate world.

"Why do so many amazing companies that give their employees every perk under the sun still lose so many staff to depression? Can we catch the coming transition before it takes place?" she was quoted as saying.

She also worries that the technologies could be misused by advertising companies looking for the right mood to strike before posting their personalised ads and insurers basing premiums on the state of someone's mental health. But she remains optimistic that apps could be developed with the right ethical guidelines to help corporations become more productive.