Enterprise Risk

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The official magazine of the Institute of Risk Management

Changing the viewfinder: Anita Punwani explains why organisations need to align their purpose to the wider social context

Welcome to the metaverse: risk and opportunity / **Lessons from the pandemic:** plan for the future / **Leadership styles:** what is right for ERM

Enterprise Risk

Spring 2022

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About the IRM
The IRM is the leading professional body for Enterprise Risk Management (ERM). We drive excellence in managing risk to ensure organisations are ready for the opportunities and threats of the future. We do this by providing internationally recognised qualifications and training, publishing research and guidance, and setting professional standards.

For over 30 years our qualifications have been the global choice of qualification for risk professionals and their employers. We are a not-for-profit body, with members working in all industries, in all risk disciplines and in all sectors around the world.

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Editorial

Time for creativity

Tensions between Russia and NATO have escalated quickly and worryingly over what seems like just a few months. At the time of writing, war has come to Kyiv and other cities in Ukraine as Russian troops invade the country.

The impact has been huge. Refugees are pouring out of Ukraine, and financial and political sanctions threaten to reverse the global recovery from the pandemic. Rhetoric of nuclear war has added a potentially existential dimension to the crisis.

One must hope that a peaceful solution can be found soon.

While talk of resilience has been a watchword in the risk management community for several years, the threat of a European war suggests that such an approach is not sufficient to such large-scale disaster. The Oxford dictionary says that resilience is “an act of rebounding or springing back”. It even carries a connotation of “recoiling” from something.

Resilience, therefore, implies that organisations survive best by ending back up at the place they originally started out from. Clearly, we need a more suitable word to capture the concept of adapting to an unpredictable environment in a way that seeks to take us to a better place.

In IRM’s Risk predictions 2022 report, Michael Rasmussen, CMIRM, the Institute’s global ambassador in the United States, suggests that while resilience is necessary, it needs a healthy dose of agility to prevent businesses ending back up at the beginning every time a risk materialises.

“Agility is the ability to understand the environment and engage to advance the organisation and its goals,” he writes. “Organisations need to be agile and resilient.”

Given the unpredictable nature of today’s world, Rasmussen encourages risk managers not just to crunch the numbers but to critically reflect on the risk models they use and, above all, be creative. Risk managers need to see how the variables in the environment – both obvious and abstract – can intersect in novel ways to prevent the organisation reaching its objectives.

“That requires creatively thinking about risk and risk event scenarios,” he says. “This requires us to explore intuitively complex relationships of risks to other risks and objectives.”

One area that such an approach will be needed is the metaverse – the emerging interactive communication system. Alexander Larsen’s feature in this issue of the magazine (*Welcome to the metaverse*, pp 18-23) demonstrates its potential reach and scale. No business will be unaffected – but how many are prepared? How many boards have plotted their metaverse strategies? How many risk departments have assessed the risks and opportunities to their organisations?

While resilience will always have a place in every organisation’s risk strategy, sometimes leaping into a better future requires some much-needed faith in human creativity.

Arthur Piper
Editor

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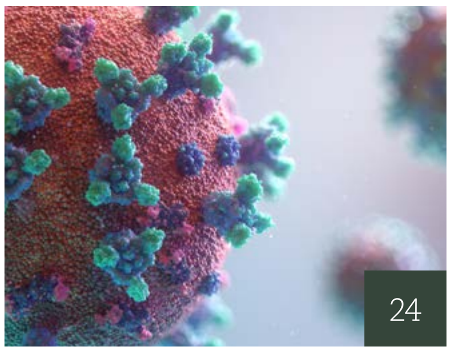
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International Certificate in Financial Services Risk Management

Advance your career with the global benchmark qualification in Financial Services Risk Management

About the International Certificate

The International Certificate in Financial Services Risk Management will help develop your skills and expertise with practical and immediately applicable knowledge. The qualification has been developed for anyone working in the financial services sector, who is looking for a solid foundation in the theory and practice of effective risk management.

As the global pandemic causes uncertainty for the future, risk managers need to be at the forefront of effectively managing and mitigating risks. Our qualification has been updated in response to international regulatory developments such as Basel III and Solvency II, with resilience, risk and recovery being covered to ensure risk practitioners stay up-to-date. The qualification is studied via supported distance learning and takes as little as five months to complete.

What our students say

Audrey Onsomu IRMCert
Audit and Assurance Supervisor, PwC, USA
"My IRM Risk Management in Financial Services qualification is a treasure. Having the opportunity to study risk and understand why it is so important especially in the financial services arena is one of the wisest investments I have made so far. My qualification has helped firm up the experience I've gained over the last six years."

Johnny Kollin IRMCert
Vice President, Wholesale Credit Sanctioning, Barclays, UAE
"The certificate is a great way for professionals to learn the foundations of risk and for seasoned professionals to broaden and deepen their existing knowledge, staying abreast with recent developments and networking with fellow risk professionals in other industries, to exchange ideas and challenges."

Find out more at:

www.theirm.org/fs-mag

Resilience, risk and recovery

irm

Developing risk professionals

Breaking new ground

IRM is refreshing qualifications and the services it offers members to ensure they keep pace with fast-moving events and industry developments

For me, a new year has brought a new beginning. Since January, I have been spending two days a week working as the new technical director for IRM. It has been fast moving, challenging and very interesting.

The first thing I have been involved with is looking at IRM qualifications. This is really a project management task to conduct a review and refresh of the Certificate of Operational Risk Management (CORM). I am working with senior members of the Institute of Operational Risk (IOR) to bring it into the IRM fold under our (soon to be registered) Office of Qualifications and Examinations Regulation (Ofqual) accreditation.

International

I am also looking at the International Certificate in Financial Services Risk Management to make sure it continues to suit the students we are aiming to educate. I am working with our Financial Services Group and contacts in the financial services industry to feed into that review.

The second area of my work is to help our Interest Groups and to co-ordinate their activities. It is very exciting to see the wide range of activities our groups have been getting up to during the pandemic and encouraging to see the desire of all groups to use the way we were forced to go remote as an opportunity for even wider engagement.

No longer will we be London-centric or restricted to a physical location to get to meetings and contribute to learning.

Thirdly, I am looking at some new areas of activity and feeding this into work to develop a strategy for the future. I was fascinated by risk management when I read the relevant books, worked on assignments and sat my exams. It worked for me as I went on to link sophisticated risk management with specialist risk financing, and being engaged with IRM was instrumental in helping my career. We need to make sure that IRM's offering is equally suited to the next generation, who get their knowledge from the web and in more engaging ways than those old A5-sized textbooks I still have on my shelves!

Climate change

And lastly, since editing Paul Hopkin's book, *Fundamentals of risk management*, I have been working with Kogan Page and Martin Massey, CMIRM, the chair of our Climate Change Group, to build a case to publish a book on the topic. This was developed from

> **We need to make sure that IRM's offering is equally suited to the next generation**

an idea by Stephen Sidebottom, our new chair, and we hope this will result in something you can see by the end of the year. Combined with this project is work to develop a new Climate Change Risk Management qualification with an academic institution.

I started this column by referring to the role being fast moving, challenging and interesting. To get anything done in these areas in the two days available to me is quite a challenge, and you must be fast moving: thank goodness for modern technology and remote working! As well as being interesting work, above all I hope the work I am doing is valuable to members.

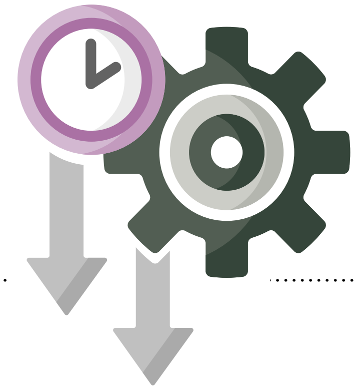
I would really like to hear from any members who would like to get involved in any area of this work. Please get in touch at Clive.Thompson@theirm.org

i Clive Thompson is IRM's technical director.

Trending

DATA

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



Top employee productivity decreases for 2022

Mental health enters top three productivity disrupters for first time in six years

67%
Covid-19

36%
Mental health issues

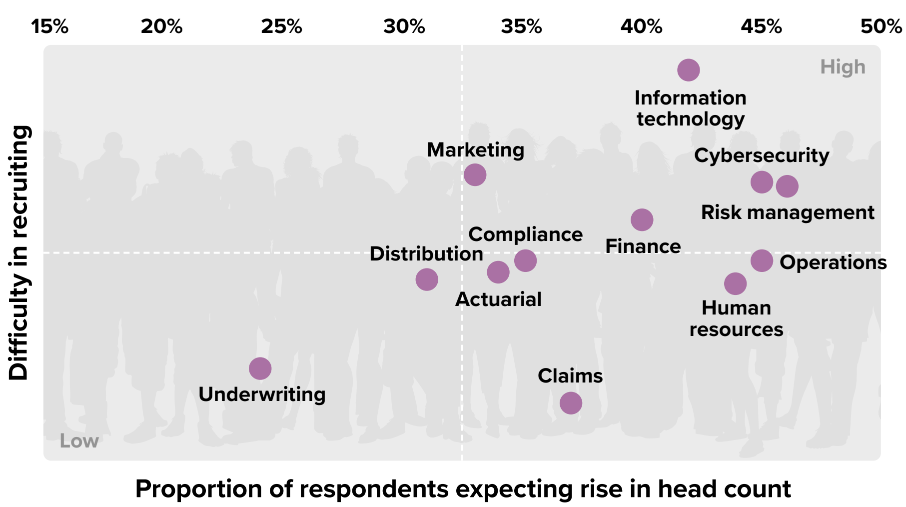
21%
Natural disasters inc. extreme weather

19%
Transport concerns

16%
Security threats, civil unrest & country risk rating

Source: *International SOS risk map 2022.*

Insurers struggle with risk management staffing needs



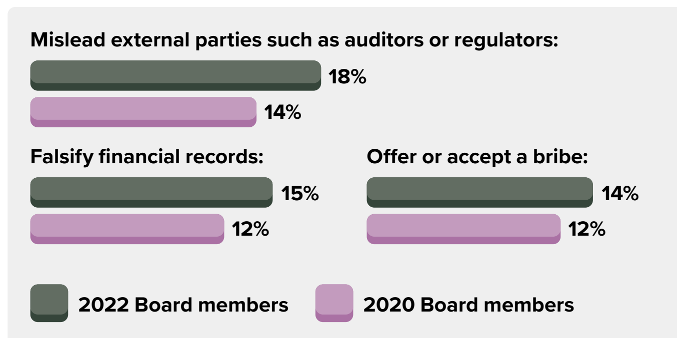
Source: Deloitte, *Insurance industry outlook 2022*

Ethical standards plummet at top of organisations

Businesses are increasingly turning a blind eye to unethical performance among senior staff and high performers

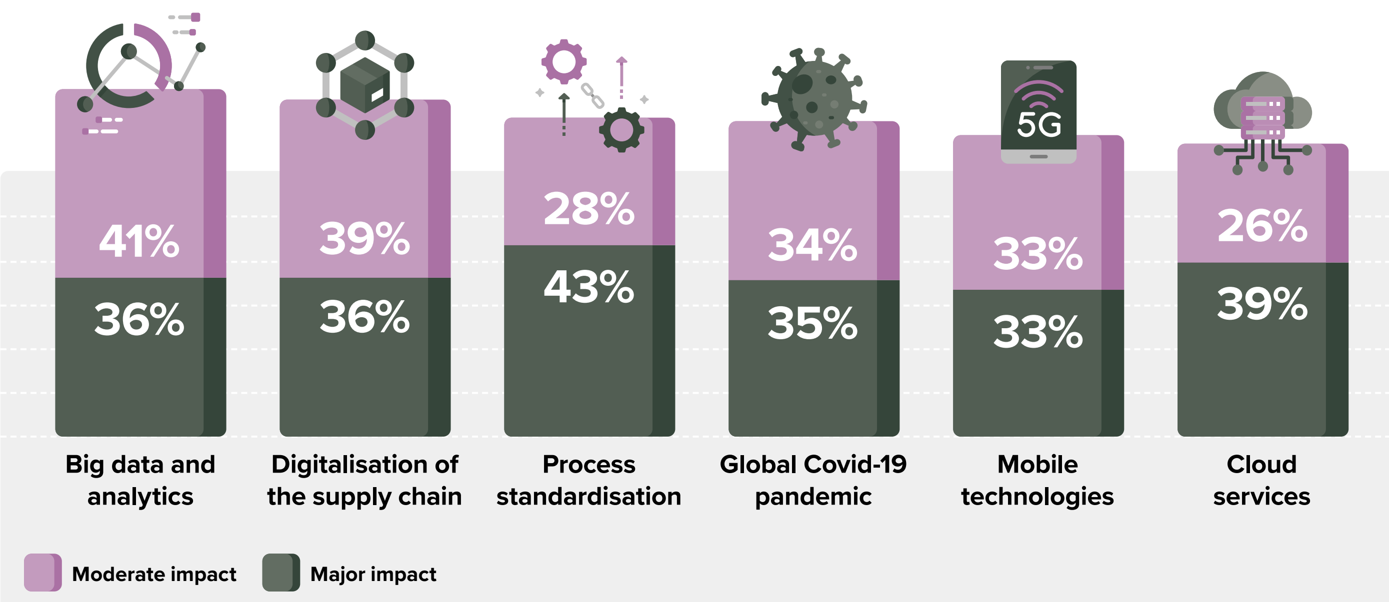
To what extent do you agree or disagree with the following statements?

Which, if any, of the following would you be prepared to do to improve your own career progression or remuneration package (your pay or any bonuses you might receive)?



Source: *Global integrity report 2022*, EY

Digital trends top supply chain challenges



Source: *2022 supply chain challenges and priorities survey report*, APQC

> In the long run, organisations that are meeting key stakeholder needs are going to be profitable

Changing the viewfinder

BY ARTHUR PIPER

Anita Punwani, head of IRM's recently formed Environmental and Social Governance Group, explains why organisations need to align their purpose to the wider social context

The shareholder model of corporate governance that dominated business practice and thinking for much of the 20th century seems to be rapidly waning. While directors of publicly listed companies owe a legal duty of care to shareholders above all others, that view may have received its final body blow from the pandemic.

Take the issue of working from home, for instance. Many organisations in the services sectors and beyond successfully extended their digital infrastructures so that staff could carry out their duties remotely. Now COVID-19 restrictions are easing, businesses are divided over how to handle any return to office working.

This problem can be usefully used to frame the difference between traditional shareholder and contemporary stakeholder worldviews. The former view says if it is cheaper and more productive to have staff at work, make them come back. The latter may see the decision in terms of an opportunity to balance the needs of the organisation with those of its staff. Even if those organisations come to the same conclusion, the stakeholder view places building consensus over using coercion to achieve its aims. More importantly, the stakeholder model is fundamentally outward looking and more adaptable to trends in social and physical environments.

Finding compatibility

Anita Punwani, head of IRM's recently formed Environmental and Social Governance (ESG) Group, says that many organisations are resistant to moving too far towards the stakeholder model, despite acknowledging that there is a wider social context that needs to be navigated. Social movements such as MeToo and Black Lives Matter have put business practices under the spotlight – and fried a few reputations in the process.

> **The UN's Sustainable Development Goals have been a guiding light for Punwani's thinking**

But Punwani does not see the two models as being terminally incompatible, just in need of some serious readjustment. Her view is that shareholders are key stakeholders. And while they may have traditionally looked primarily at short-term gain, there has in recent years been a drive for them to hold companies to account on a wider range of social and environmental risks and issues, such as excessive executive pay and, more recently, the impact of business operations on the environment, and on equality, diversity and inclusion.

"In the long run, organisations that are meeting key stakeholder needs are going to be profitable by virtue of the fact they are doing so in an effective and efficient manner; the models are not at odds," she says. "It is a transition we need to go through and that involves reframing what our purpose is and navigating through the change."

That shift requires pulling back the viewfinder. The bigger picture includes the organisation in its environment: economic success coupled with environmental sustainability, for example. A useful tool for achieving this perspective is the United Nations 17 Sustainable Development Goals (see *UN Sustainable Development Goals*). The goals have been a guiding light for Punwani's thinking on these issues and for IRM's ESG Group. She believes they can act as a starting point for organisations and risk managers looking to adapt to a more sustainable way of operating.

Knowledge

Why risk professionals? Because Punwani says risk management's role is to help governing bodies make difficult judgment calls. Fortunately, traditional enterprise risk management is well suited to such a task, even if some risk professionals will need to reassess their non-technical competencies in light of IRM's forthcoming review of its professional standards (see our interview with Simona Fionda, *Raising the Standards, Enterprise risk, Winter 2021*).

Punwani says that over the past few years, risk professionals have done a great job of working their way up the seniority levels within organisations. Risk professionals can be found in governing body, executive and non-executive roles. "We are there," she says, "with the knowledge, skills and experience: we have our education programmes, our training and our thought leadership."

One challenge is to continue to look outward from the organisation and recognise the changes that are happening in society. A risk toolkit is well able to identify emerging risks through horizon scanning and other techniques – and then seek to mitigate or take opportunities. That is bread and butter for many professionals today. But Punwani urges professionals to go a step further.

Finding purpose

She says that organisations often struggle to clearly define their purpose and values in ways that resonate with the broader social community. She sees that as a great place to apply risk management thinking. First, it will ensure that the organisation's values are expressed in a way that is fit for purpose in today's emerging environment. Second, talking about purpose will generate conversations about the wider array of ESG issues that are relevant to the business. Finally, such a project would provide risk managers with an ideal opportunity to speak to a broad array of stakeholders and discover their needs and concerns.

"You can then go to the governing body and say, 'this is the nature of the social context as it applies to our specific environment and this is the way it is changing'," she says. "You can then work out how to support the governing body in any changes it needs to make."

During the interview, we flip from speaking about what organisations do, on the one hand, and how those actions are perceived on the other. To me, that ambiguity seems to go with most discussions of ESG. I suggest, half-jokingly, that some organisations may just as well hire expensive City public relations firms to take care of the perceptions and carry on as usual.

Information networks

She holds up her smart phone and says, "This has changed everything. Now everyone can be a reporter." In an age of open information networks, the inside and outside of organisations have collapsed – merged into one another. The idea that businesses can control the information flowing across these networks is a fantasy that belongs to the 20th century.

"Businesses may have succeeded in doing this [i.e. controlling information] in the past," she says. "However, that is reactive, and it won't wash anymore because you have people in the organisation – whether they are current employees, or families, or former employees – and those people are talking to each other, and information is leaking out."

Even the nature of that information has changed. People are much more interested in,

> **Organisations often struggle to clearly define their purpose and values in ways that resonate with the broader social community**

UN SUSTAINABLE DEVELOPMENT GOALS

The IRM Environmental & Social Governance Group supports the Sustainable Development Goals:

Source: United Nations

for example, the ethical and environmental behaviour of suppliers. Informal sources of information, such the risk of modern slavery, or how many women hold higher-ranking positions, have all become more relevant to the performance and reputation of organisations.

"You have to accept that organisations are not separate from society; people and their families are working in organisations and conversations are going on about you," she says. "That is one of the many reasons that social media has been such a key influencer in changing the shape of organisations."

Adapting risk management

While Punwani is convinced that risk management has a key role to play in helping organisations adapt to this reality, she also acknowledges that the profession has an image problem. For instance, she has recently been reading Gillian Tett's book *Anthro-Vision: how anthropology can explain business and life*. In it, the award-winning financial columnist and anthropologist writes about the historical problem of taking ESG seriously: "The issue at stake revolved around risk management. If you listened to the noise around ESG, it seemed that the movement was all about activism; vocal campaigners were calling for social and environmental change, and companies and financial groups were shouting about what they were doing to support this … (but) if you looked more closely at ESG, with an anthropologist's lens, it was clear that there was a second factor at work that was less openly discussed: self-interest. A growing number of business and financial leaders were using ESG as a tool to protect themselves." While Punwani has the highest respect for Tett, this view – which crops up continually – does not sit well with her.

"This is the mind shift risk professionals need to lead in changing," she says. While risk practitioners do have a protective role to play, their overall remit is much wider. "Risk managers are there to help responsible organisations to think about the impacts of their activities on society and the environment – and to be open and transparent," she says.

Although she believes that risk managers have the tools for the job, in some cases they need to adjust the way they think about their role. Unfortunately, Tett's view can also be found in the profession itself where practitioners put this sort of emphasis on the way in which they report or provide assurance, Punwani believes.

In practical terms, that means making an all-important switch in focus from risk reporting to risk management. "Risk management is not about the reporting," she says. "That's like focusing on the minutes of a meeting. It is about the conversations you have. It's about engaging people and empowering them in their own workplace, which comes from training and education."

Awareness raising

In some organisations, risk professionals will need to launch awareness-raising campaigns to align senior leadership's understanding of what value risk management can bring with their own. And, in less risk-mature businesses, to emphasise the fact that everyone in the organisation should be thinking about and doing risk management in their day-to-day roles. It is an approach that Punwani takes in her own training courses and risk workshops and a philosophy that has her view of ESG built into its core.

"You are giving everyone in the organisation the responsibility to talk about risk management themselves," she says, "and that gives an automatic line of sight to society and the environment, which must be linked to the values and the purpose of the organisation."

If risk managers do not know where to start on this journey themselves, she advises them to look at their own and their team's competencies. Punwani's thinking here – as on many other issues – is rooted in her background in project and programme risk management. Working in low hierarchy, outcome-based teams that are full of subject-matter experts made her realise that one key skill she needed to develop was to be a good facilitator.

> **"Risk management is about engaging people and empowering them in their own workplace**

Initially it was tough. "I was dropped in the deep end as a risk professional tasked with running workshops," she jokes, "so I learnt the hard way." But when Punwani took IRM's qualification, she also had facilitation training. She believes that it is an investment that risk professionals must make in themselves, either through their organisations, or personally.

"It is just not a skill that you can assume that you will pick up," she says. "You might be very good at engaging people, but there are actual principles to facilitation which help, for instance, to bring quieter members (who may have real understanding) into the ongoing process of conversation, and embed that within the risk management process."

Punwani says that risk managers need these skills to

be able to run workshops with key stakeholders outside the organisation too – or to facilitate internal workshops of a more technical nature. Once the risk professional is comfortable running workshops, they can pass that knowledge on to a risk champion within the organisation by, for instance, co-running events with them and then eventually passing the activity over to the management group or department.

Global perspectives

Punwani's interest in ESG is rooted in governance. After she became involved in IRM's education programme, she took a global governance and ethics master's degree at London's UCL. It convinced her that taking a global perspective on worldwide challenges could be linked with corporate governance in a way that helped businesses carry out their operations in an ethical and sustainable way.

She had expected the master's to focus on the role of the UN and other international organisations in tackling global issues. But it quickly became clear that, while those large organisations did play a pivotal role, resolving the issues presented by major catastrophes (such as the toxic gas fallout from a Union Carbide chemical plant at Bhopal in 1984) needed the input of many other individuals and groups.

"My whole frame of reference changed," she says, recalling one lecture presentation. "When a certain slide went up, I thought, governance does not just mean governance around formal authority to carry out responsibility but refers to a whole set of different actors that are needed to bring about change." She brought together a range of case studies about crisis resilience and applied an IRM viewpoint to the lessons that could be learnt, but then added an extra layer to understand the role of the external environment and the wide stakeholder community.

Forging links

Not surprisingly, given an emphasis on stakeholder groups, the ESG group's first job is to forge some links – both with other IRM interest groups, such as the climate change group, and with external groups. Collaborators at recent events include people who have worked at OECD, for example, and the philanthropic arm of UBS. She extends an invitation to any IRM members with an interest in ESG to get in touch.

But she also wants people to get involved in whatever way they can. She believes everyone, no matter how junior, has a role to play. "You can just look at the UN's Sustainable Development Goals and choose one," she says. "Start up a conversation within meetings, with your partner, children or with other organisations that are looking to support these goals. You will find people will start taking on new perspectives. And while you will have more on your plate, rise to the challenge and manage the risks like you always do."

ESG Group members: Anita Punwani CFIRM, Alex Hindson CFIRM, Lisa Khan CFIRM, Dorothy Maseke CMIRM, Dr Abdul Mohib, Rahat Latif MIRM

Welcome
– to the –
metaverse

BY ALEXANDER LARSEN

Brave new world or dystopian digital nightmare? Whichever it turns out to be, it is time to get ready for the metaverse

The last few years have seen the growth of technologies such as blockchain, cryptocurrencies, NFTs and the further integration of AI into most technologies. However, it is the use of virtual meeting technologies that most people will be most familiar with, having had to navigate their way through platforms such as GoToMeeting, Zoom and MS Teams over the last two years due to COVID.

While these have been invaluable to businesses and employees alike during a two-year period where working from home (in isolation) became the norm, they are limited with regard to interactivity and usefulness. This could all be set to change with the introduction of the so-called metaverse. The problem the metaverse hopes to solve is to make global connections online more immersive, connected and collaborative. No longer will we simply look at a face on a screen, but rather, we will be able to read body language, be placed in a virtual office working on 3D designs or participate in networking events on a virtual beach.

Zoom on steroids

Essentially, the metaverse is Zoom in a more immersive environment where you can better interact, communicate and collaborate with other users. Some people wrongly assume it must be driven by virtual reality (VR) or augmented reality (AR) or even be driven by blockchain. While this certainly adds to the immersive experience, security and decentralisation, it is not a necessity for the metaverse to exist. In fact, it exists already without these technologies. Microsoft are already about to roll out Mesh for MS Teams, and games already exist which are made up of highly immersive 3D worlds where gamers interact, co-operate and build. Some of the best examples of games include Minecraft and Roblox, which were developed as far back as 2006.

> **The problem the metaverse hopes to solve is to make global connections online more immersive, connected and collaborative**

Nonetheless, the main focus of the metaverse going forward is likely to be how much more immersive and interactive it will be with the introduction of new technologies such as VR, AR and equipment that allows haptic feedback such as gloves, clothes and chairs. Another development will be the rise of decentralised platforms enabled by Web 3.0 and blockchain. Users will have more control and the ability to build worlds and create businesses. It will be a creator economy and one which no company or government can shut down or manipulate through software.

Meta has been investing billions into the VR headset technology over the last few years and has announced $10 billion to be spent this year and are teasing a new headset (Project Cambria) that is believed to be lighter and more comfortable to use. They are also focused on subsidising the headsets to ensure it is affordable for everyone. This is similar to the Microsoft strategy of selling the original Xbox at a loss to encourage adoption in order to challenge PlayStation. Competitor businesses are developing their own VR glasses.

The metaverse can also utilise other immersive technologies, such as Apple's spatial audio (essentially 3D immersive sound) technologies, that would make metaverse meetings feel far more realistic, essentially placing voices all around you and adapting to which way you are facing. Augmented reality is also used extensively in apps on phones, for example, from museum exhibitions to games and home design apps – all of which are adaptable to the metaverse.

Finally, blockchain technology, specifically cryptocurrencies and NFTs, will play a very large part enabling the creation of decentralised currencies and items that can be transferred across games and productivity applications and will ensure that users (and their avatars) will

“ The metaverse promises to expand these virtual worlds into one space where people can actually own things and feel more absorbed, essentially bringing it closer to the real world

own assets in the metaverse. It is also blockchain technology that will allow decentralised platforms to appear.

When not if

Prior to COVID, less than 10 per cent of people worked online or from home; now estimates put that proportion at 20 to 40 per cent. COVID led to the success of Zoom and the growth of MS Teams, which have become everyday tools that we would seldom have used previously. If we are expecting this type of working to continue, then it is only natural that developers will continue to develop more interactive software. It's also clear from organisations' appetite for digitisation over the last couple of years that spending on technology is likely to continue too.

This is only an indication of short-term adoption. If we look forward a decade, we can see that the metaverse is almost certain to happen. Currently, six out of ten teens spend time online with friends daily, and it's becoming increasingly normal for people meeting future partners through online games and apps. In addition to this, there are a large number of young people who are making money out of their digital presence, either as a crypto trader, influencer, reviewer or a gamer sharing their videos online (or playing live) as well as a host of other things that most people couldn't even imagine just a few years ago. This is a generation growing up in a virtual world. For further proof, a staggering 50 per cent of nine- to 12-year-olds are already playing Roblox and Minecraft. The metaverse promises to expand these virtual worlds into one space where people can actually own things across platforms and feel more absorbed, essentially bringing it closer to the real world.

Global corporations are also already entering the metaverse, and the technology could bring business benefits to many sectors (see *Why enter the metaverse?*).

Pricewaterhouse Coopers (PWC) has bought property in The Sandbox (a metaverse) while JP Morgan (who famously called bitcoin a scam) is the first bank to enter the metaverse opening a lounge in Decentraland. McDonald's, Walmart, Samsung and Chipotle are also all involved alongside fashion chains such as Gucci and sports chains like Adidas who are selling virtual clothes for avatars. As if that's not enough, Barbados is opening up a virtual embassy in Decentraland!

Image credit: SkyeWeste / Pixabay.com

Meta risks

The metaverse brings with it new risks. These include data security, social manipulation, social monitoring, addiction, trolling, bullying and employee harassment.

Data is already an increasing concern for organisations and individuals alike. From social engineering to hacking incidents, organisations are spending large amounts to protect their data. The metaverse increases the risk further in a variety of ways. For one, more data will be stored about us in the metaverse than probably anywhere else, making it a focus area for hackers, who will potentially be able to hack VR headsets or the platforms themselves. The metaverse will also allow hackers to implement more complicated social engineering techniques to acquire relevant information to steal data. In addition, the amount of data gathered by corporations on customers could balloon – including, potentially, brain wave activity from VR sets.

While this offers a huge upside for companies, it's potentially a nightmare for the general

WHY ENTER THE METAVERSE?

The metaverse is essentially a secondary global economy waiting to be taken advantage of that may not only help organisations but can help people too.

Business

We can expect businesses to use the metaverse to collaborate with suppliers and contractors on developing better products or interact more closely with customers. That could see the introduction of virtual shared workspaces and an ability to have more effective virtual training that focuses more on gamification. Conferences could curate some of the greatest minds in the world where they could be invited to speak or network and have real conversations in different parts of a virtual venue.

Education

Universities have the opportunity to tap into a global population looking for world-class education. Limitations such as lecture hall space, accommodation and costs to students could be greatly reduced. Classes could be interactive with every student being able to see 3D models of what the lecturer is explaining.

Immersive commerce

Online shopping could change completely with a virtual supermarket mirroring a flagship store being created where customers can browse all the items and put them in a virtual basket. Some furniture stores already let you place their furniture in your room using augmented reality to see what it looks like before purchasing, and this technology could develop even further in the metaverse.

Real Estate

Whether it's due to a busy schedule or limitations of travel abroad or COVID restrictions, the metaverse allows houses that are for sale to be created virtually so that buyers can get a real feel for the properties they are looking at. While virtual real estate may seem far-fetched, JP Morgan already believes insurance and mortgages are all potential services that could make money in the metaverse.

Travel and experience

The ability to have your tourist destination in the metaverse means more people can visit, with potentially fewer physical visitors causing overcrowding, and better preservation of sites. In the future, for instance, we may be able to virtually walk through and see every hieroglyph on every wall and every chamber of the pyramids.

Events

Music concerts have already been held in the metaverse and have proved popular both for fans and musicians alike – everyone gets a front seat to their favourite artist.

Games

The metaverse will open up gaming to become an even more social experience. The decentralised nature of the metaverse will also create opportunities for anyone to become a creator and get paid for it.

Advertising

Considering all the opportunities for businesses, individuals and customers, as well as the number of potential visitors to the metaverse, there is a huge opportunity for advertising. The difference between real-world advertising and metaverse advertising is that advertising can come in any shape or form and be accessible a much larger audience.

public, who will be bombarded from all angles with advertising and in many instances not even realise it. Subliminal messaging throughout the metaverse includes potentially flashing images that users won't even register. Other methods would be to plant actors into the metaverse who could target and befriend people based on data analysis methods mentioned above and mention websites to visit, places to eat or even offer investment advice. Similarly, bullies and predators would be able to more easily target children and interact with them by, for instance, offering digital gifts, compared to just sending messages online.

Mitigation

These risks are all significant enough that various regulations, some of which will be testing new ground, will need to be considered including limiting what developers can track through equipment, what data can be used for targeting advertising,

> **“ Regulation will need to be introduced for technologies in order to better manage the risks**

what advertising techniques are acceptable and ensuring that laws are in place making it clear what kind of punishment to expect when behaving a certain way in the metaverse. None of this will be easy due to the fact that there will be numerous loopholes and workarounds and it will therefore require technical experts to work on these regulations and to constantly review and update them over time in order to close these workarounds.

Regulation will need to be introduced for other technologies too in order to better manage the risks. A benefit of blockchain technology, for example, is the fact that every transaction is saved to a block with no way of manipulating it. This allows law enforcement to trace transactions whether they are cryptocurrency transactions or NFT purchased items. Unlike cash, which is extremely difficult to trace and can be laundered, digital transactions will be ideal for identifying criminals and also for trying them in court. Currently

BENEFITS FOR RISK MANAGEMENT

From a risk management perspective, there are a lot of opportunities of using the metaverse. Firstly, training and gamification. Training programmes could recreate real risks that occurred or imagine new ones and put participants into the scenario asking them to identify where things could potentially go wrong, how things could been done differently and then running through how the risk actually played out. Such a highly interactive and immersive training will not only allow better learning but it will also leave a lasting impression that will allow better retention of information.

There is also an opportunity to improve emergency response, business continuity and crisis management exercises. Instead of traditional desktop exercises or stopping production at a plant in order to undertake larger exercises, exercises could be done more easily and in greater depth virtually, with all actions and decisions and movement automatically being tracked and recorded for lessons-learnt purposes. Observers from the board or insurance companies could potentially be invited to provide assurance and potential business interruption premium savings.

Analysing risk can also benefit from this collaborative approach, from experts being able to join risk workshops or visit difficult-to-reach locations to project teams from various geographical locations being able to discuss, share experiences and visualise risks. This translates to supply chain too, where risk managers, company experts and other suppliers can be more involved during design stages to identify risks, ensure that there are no compatibility issues and work together to brainstorm solutions.

Image credit: Lucrezia Carnelos / Unsplash.com

> **Companies could plant actors into the metaverse to target and befriend people based on data analysis**

there is a lack of regulation around crypto currencies, and as a result law enforcement don't have the training or infrastructure to properly analyse transactions. With the right regulation, this could all change.

One regulation or action that would be effective and which seems inevitable, with the argument that terrorism, fraud, security and exploitation need to be stopped, is requiring moderation of the metaverse by either platforms themselves, or indeed, by law enforcement, who would essentially police the metaverse. If people are worried about data and privacy, then this measure will only increase unease, and it becomes a risk itself.

Virtual worlds

No one can be certain how the actual metaverse will develop. It promises huge opportunities for companies and individuals alike. It effectively provides a whole new layer of economy for the world at a time where we are crying out for further growth opportunities.

But the risks are great too – as well as wider societal question to consider. Virtual worlds are made to reflect the real world but without the perceived inconveniences. This means the virtual world will be absent of things such as dirty streets or homeless people. This could have a negative desensitising impact on society and also increase the addictiveness of the metaverse to the extent that people are never disconnected to it and fail to look after themselves properly, impacting physical and mental health. While humans are excellent at adaptation, in the shorter term we can expect to struggle with many of these risks as the metaverse becomes no less optional for us than the internet.

Alexander Larsen (BHRM, CFIRM), president of Baldwin Global Risk Services Ltd.

Lessons from the pandemic

BY SEAMUS O'SHEA, ALASTAIR JOHNSON, SUSAN HOWLETT AND AILEEN ORR

Even though the current pandemic has yet to recede, it is time to plan for the next

COVID-19 has perhaps been the biggest test faced by most businesses in their lifetime. There have been many lessons learnt – see *The pandemic's eight key lessons*. But as the Global Preparedness Monitoring Board has stated, "learning without action is pointless." That is why businesses need to develop their organisational resilience to be better placed to meet and respond to future pandemic emergencies.

Doing this will enable them to weather future storms and in some cases even thrive. A failure to do so could well mean that they cease to exist. The risk management community is best placed to support the business community in this regard. The Special Interest Group for the Pandemic is working to ensure we learn the lessons of the past couple of years.

Inadequate preparation

As we continue to deal with the COVID-19 pandemic, it is clear that despite credible warnings, preparations were sorely lacking to deal with such an emergency.

WHO's *Pandemic influenza risk management guide* of 2017 shows the pandemic phases as a continuum, which includes the phases in the context of preparedness, response and recovery (See *WHO's pandemic phases*). The constant throughout the continuum is risk assessment – it is important that this does not stop.

Gartner also noted (in an article published January 30, 2020, *The Pillars of pandemic planning*), that "preplanning is essential during any crisis, but pandemics require extra activities. That includes keeping close contact with epidemiologists …" In a normal business sense, this would mean keeping up to date with accurate and true information so you can plan accordingly and keep your staff accurately informed, as well as monitoring and modelling impacts over months.

We are currently in between the response and recovery phases in WHO's continuum, although many organisations have been addressing preparedness for the next pandemic and continue to do so as they adapt to COVID-19.

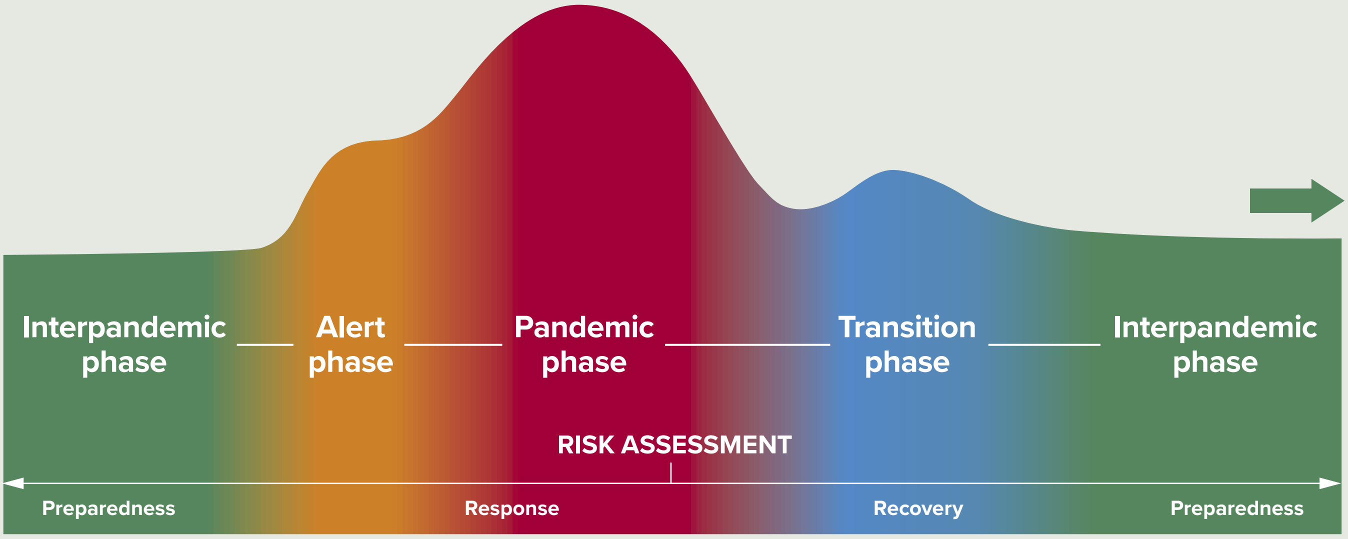
Ensuring better preparedness

The COVID-19 experience shows us that despite the warnings and warning signs, organisations of all sizes were not ready for the pandemic. This might suggest

> Despite credible warnings, preparations were sorely lacking to deal with a pandemic

Image credit: Fusion Medical Animation / Unsplash.com

WHO'S PANDEMIC PHASES



that risk management systems and procedures were weak. It seems clear that in the future we need to ensure an approach that effectively ties in risk management, business continuity planning and the development of organisational resilience.

> **Rules coming into force from March 2022 require that firms set impact tolerances for their important business services**

The key aims for the risk community are to reinforce the belief that there will be pandemics in the future and to support actions to scan for such events, and to assist businesses in preparing for and dealing with such crises.

Surveys indicate that better prepared organisations are better able to survive a pandemic, or any emergency. In this context, examining enterprise-wide risk management (ERM) through a strategic lens is required. This requires examining risk scenarios with a special focus on how the organisations' most valuable assets and value drivers are affected, so that in future crises these value drivers can be maintained to sustain the organisations' viability.

Pandemics will affect different industries and sectors in differing ways, both positively and negatively. The risk community needs to develop some generic guidelines that will work across sectors. The UK financial service regulators, the Prudential Regulation Authority and Financial Conduct Authority, now treat operational resilience with as much importance as financial resilience, and rules coming into force from March 2022 will require that firms set impact tolerances for their important business services. This should improve their ability to continue to provide vital services to their customers and the wider economy in the event of major operational disruptions.

The message from the regulators is clear in this regard, and firms will need to demonstrate a minimum standard of operational resilience to show they can continue to meet the needs of their customers in the event of severe yet plausible disruption scenarios. As a result, firms should be able to remain operationally resilient and prevent serious disruption to their services by adapting their systems and processes to return to normal service within a short period. Pandemic risk is an event, among other risks, that must be covered by these requirements.

Downsides and upsides

The Institute of Operational Risk (IOR) notes that sole reliance on business continuity plans (BCPs) is significantly less effective for dealing with pandemic events. The pandemic has impacted across multiple locations and countries while BCPs usually relate to coping with a lack of something, such as a building, IT systems or staff.

In this instance, in the UK, organisations were primarily denied access to buildings due to lockdown. In addition, there was some loss of staff capacity due to primary school closures and concerns over loss of suppliers. Pandemic plans should include full and up-to-date details of, at the least, the crisis management team; communication arrangements for staff, customers, third parties and regulators; pandemic scenarios for risk management; the lessons learnt processes; plans for pivoting their product mix; and switching to remote working arrangements.

Some organisations will have largely benefited from the pandemic. Others reacted swiftly and maximised the opportunities presented by the pandemic. Such initiatives including creating home delivery, online sales and services; developing outdoor hospitality spaces; reduced office costs; and increasing transportation and delivery operations for customers.

As companies grow more used to managing staff working remotely, there is the potential to widen the geographical area for recruitment and thus potentially access a greater pool of talent.

> **“ As companies grow more used to managing staff working remotely, there is the potential to widen the pool of talent available**

Role of risk management

Between 2011 and 2018, WHO tracked 1,483 epidemic events in 172 countries. Epidemic-prone diseases such as influenza, severe acute respiratory syndrome (SARS), Middle East Respiratory Syndrome (MERS), Ebola, Zika, plague, yellow fever and others are harbingers of a new era of high-impact, potentially fast-spreading outbreaks that are more frequently detected and increasingly difficult to manage. WHO's risk management guidance is relevant to most businesses.

Various sources have indicated that animal–human disease pandemics will occur in the future and that it is likely that they will occur with increasing frequency unless actions are taken to address the underlying causes of increased contact between animals and humans. Consequently, we need to ensure that we are better prepared to meet the next pandemic and to incorporate lessons learnt from that into preparations.

Systemic risks like COVID-19 require systemic preparedness and a systemic response. Traditional business risk management does not deliver either. While some organisations had generic pandemic risk in their risk registers, the COVID-19 pandemic has shown that this was underestimated in both magnitude and dimension. Risk management needs to demonstrate how pandemic risks can be identified and assessed, and how organisations can develop the means to deal with them.

IOR's report, *Covid-19 – Lessons learned (the story so far)*, noted those organisations "... those that had well developed pandemic and other recovery plans and have successfully utilised recovery sites, redirected work to other less impacted offices, introduced shift patterns and remote working and triaged non-critical activities".

One of the measures that helped the organisations surveyed to manage and mitigate pandemic-specific issues was the lessons-learnt exercises. Pandemic issues were monitored, and lessons learnt identified and considered with a formal process to ensure that mitigating actions were agreed and implemented.

Focus on organisational resilience

Crisis management teams must have the ability and authority to facilitate rapid decision-making based on available information at the time the decision needs to be made. Waiting too long may mean that it is too late for the decision to have the desired impact. Organisations need to emphasis quick, efficient and continuous decision-making – 70 per cent certainty now is better than 100 per cent later when you may well have gone out of business.

Where networks of local teams have been set up there should also be an emphasis on removing or reducing hierarchical barriers. Crisis management teams need to be given autonomy, and there should be more direct communications between top management (CEO) and the front line.

Apart from organisations in the health and social care sector

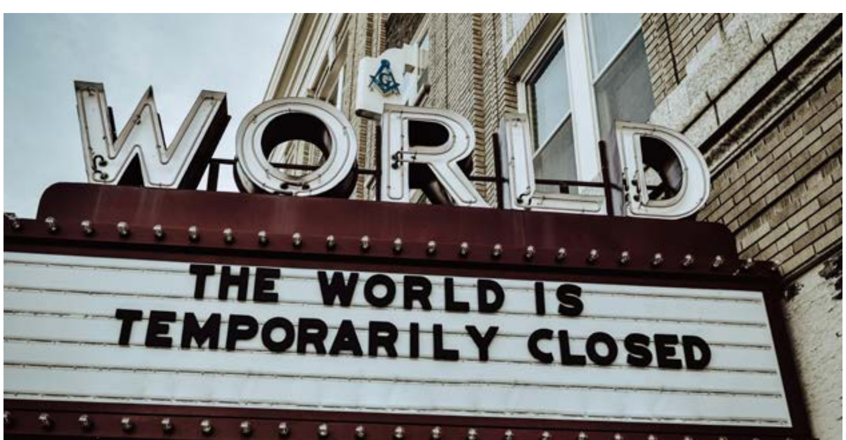


Image credit: Edwin Hooper / Unsplash.com and food preparation sectors, few companies have considered how to effectively manage infection risk within the workplace. It is important that businesses develop and implement robust procedures and processes to manage this risk within their operations.

Simple behaviours such as hand washing, regularly disinfecting of surfaces, wearing face masks and social distancing are most effective. Businesses should ensure that such precautions are in place and maintained, and regularly inform (both passively through signs, posters, etc., and actively through briefings, toolbox talks, etc.) and educate the workforce both at home and in the normal workplace.

Accelerate digital transformation

At some point, hopefully in the near future, COVID-19 will go away and no longer be newsworthy. It is at this time that people start to forget about investment in anti-pandemic measures. This investment will start to tail off or become much harder to obtain. As the pandemic recedes, so does any sort of keenness to invest money to deal with the next one. It will be critical for risk managers to convince management and boards that there will be pandemics in the future and that their businesses must be well prepared to deal with them.

Since the exact impacts cannot be known in advance, it will be a significant challenge to ensure there is sufficient flexibility in the plans and that management are encouraged to react to quickly changing circumstances.

It will be important to provide a focus on organisational resilience and on building a more resilient workforce. There is an overwhelming consensus that people are at the heart of business resilience and strategy success. It is notable that during the early stages of recovery, respondents viewed protecting their people as the top priority across the globe. Workforce stability and engagement is a key driver for businesses to be sustainable and adaptable across all countries and industries in a volatile and changing risk landscape. To achieve workforce resilience, organisations should focus on employee well-being, talent retention, operational improvements and new, innovative working models and technology.

Many organisations that had pandemic plans in place had anticipated a relatively localised impact, either in their locale or in that of some of their suppliers or customers. Risk management will need to look more closely at supply chains and partnerships security in future pandemic planning.

To help support the risk community in facing these challenges, the Pandemic SIG will be developing pandemic risk management guidelines which will identify and promote best practice. The support will be aimed primarily at organisations without their own risk management function, as well as those that have dedicated risk managers in place. If you would like to get involved and help with the SIG activities, please get in touch with IRM at enquiries@theirm.org.

THE PANDEMIC'S EIGHT KEY LESSONS

Lesson 1: Governments, businesses and organisations failed to heed clear warnings and were not adequately prepared

Lesson 2: Crisis management planning and preparedness is valuable and means organisations survive

Lesson 3: Leadership and communication are critical skills when managing crises

Lesson 4: Employee management and work practices will never be the same again

Lesson 5: Infection control within the workplace is a key skill

Lesson 6: Digital transformation has arrived because of the pandemic

Lesson 7: The pandemic has created new risks and elevated others, but it has also opened up opportunities

Lesson 8: There will be future pandemics

Source: IRM pandemic interest group

> **Risk managers need to convince management and boards that there will be pandemics in the future and that their businesses must be well prepared to deal with them**

IRM Pandemic SIG members are Seamus O'Shea (Chairman), Alastair Johnson, Susan Howlett CFIRM and Aileen Orr CFIRM.

Image credit: Kathy Hutchins / Shutterstock.com

Leadership styles

BY DONNA FESTORAZZI

Organisations that adopt the right styles of leadership have greater success at embedding ERM

Organisations sometimes fail to recognise, adopt and implement enterprise risk management (ERM) frameworks. Leadership style and traits play a crucial role in creating a risk culture that can be utilised by senior leaders, risk managers and organisations to understand the key styles and behaviours that assist organisations with the implementation of ERM – and to understand why it is so important that ERM exists in organisations.

Within our increasingly complex world, we continue to see trends of global pandemics, increased cybercrime attacks, and social and political issues, coupled with skyrocketing national deficits. Risk is at an all-time high with no indication of slowing down. Organisations now find themselves operating within a fluid and ever-changing environment forcing them to remain flexible and adaptable.

A key aspect to an organisation's survival is to balance risk and reward, which is predicated on an ability to manage enterprise risk effectively utilising risk data to make informed decisions. That suggests that leaders have an important role to play in both creating and supporting an environment and culture that benefits from embedded ERM frameworks within their organisations.

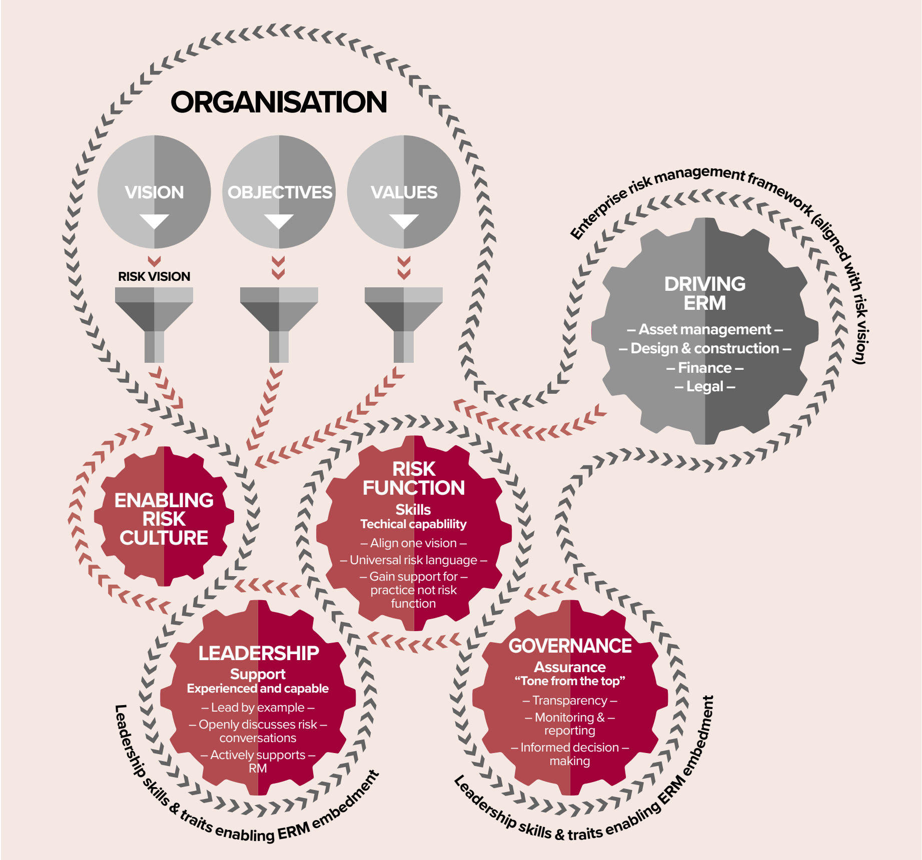
Poor risk cultures

Yet even with a paradigm shift in risk management practices – through policies, processes and procedures that seek to establish centralised risk management departments that can articulate and communicate the overall health of their organisation through aggregated high-quality risk management data – some claim that ERM has failed to become embedded and is often still operating in traditional risk silos. That raises the question, why do organisations fail to embed ERM? One potential answer is that senior management holds the key for failing to embed ERM because poor risk cultures persist – cultures that may arise from the tone created at the top of the organisation.

ERM is founded upon the principles that it has become necessary for senior leaders to have enhanced awareness and oversight of business performance through an understanding of risk across all areas of their organisations. The ERM concept has advanced tremendously since the beginning of this century, often changing because of corporate scandals, financial crises and the globalisation of markets. For example, JP Morgan Private Bank employed and embedded risk managers within their organisation at the beginning of the global financial crisis. A primary purpose of this initiative was to ask "what if" questions, challenge assumptions and consider different scenarios to improve the bank's insight. It helped increase decision-making confidence among senior leaders and helped the organisation to remain competitive within the quickly changing marketplace.

In fact, being aware of the role risk culture plays and the

USING LEADERSHIP STYLES TO EMBED ERM



extent to which leadership style and traits influence risk culture and the ability to embed ERM enables organisations to identify the right leaders for their business. It also provides risk managers with information that will enable them to focus on strategies for achieving embedded ERM.

Personality vs leadership style

As I suggest, the challenges faced by organisations looking to embed ERM is often linked with senior leaders' openness, commitment and sponsorship for setting the right tone at the top.

It is important to make a clear distinction between a leader's personal character traits and their style for approaching risk decision-making.

Risk taking and decision-making is often perceived to be a personal character trait involving, for example, a certain amount of emotional intelligence, experience and instinct. History tells us, in relation to senior leaders, that boards often rely on their intuition rather than actual evidence. Based on their successful experiences with past decisions, they may fall victim to the misconception that they have good business instincts. Where this happens, boards become potentially unwilling to accept challenge, hear bad news or consider contrasting views from assurance departments. Kodak, for instance, famously failed to identify the impact of the digital age on its market-leading place in the industry and ended up filing for bankruptcy in 2012. In such organisations, it is difficult to make the case for embedded ERM because it is not seen as a central support for business decision-making.

While the exact causes of such poor decision-making can be debated, data suggests that leadership style – particularly how senior leaders approach risk – is more influential than that of any individual leader's character trait. Successfully embedding ERM principles within an organisation requires a democratic or transformational leadership style. These approaches are seen to be the most beneficial. They create an environment of open communication, and increasing competency and capability among employees: these elements are fundamental requirements for the successful creation of embedded ERM frameworks.

> **Leaders have an important role to play in both creating and supporting an environment and culture that benefits from embedded ERM frameworks**

Leaders that openly discuss risks and create a tone from the top, those that walk the talk, are in organisations that are more progressive in relation to ERM. Organisations where those leadership styles did not exist, and that did not actively support risk management, were immature in their ERM capability.

Risk departments and leaders

Interestingly, in the absence of a corporate risk team, senior leaders nonetheless can still create a risk culture within organisations that are often comparable, but ERM is less embedded in such cases. This unquestionably links senior leaders' influence and ability in being able to drive risk culture with their potential to assist with the process of embedding ERM within organisations through governance and culture. Therefore, what value do risk teams offer organisations?

It is evident that where risk departments exist within organisations, they play a pivotal role in establishing consistency and ensuring the right people, at the right time, have the right information for making informed decisions. This assists organisations when emerging risks occur.

At the time of writing, we are obviously operating within a pandemic, and organisational survival is based on innovation where experienced leaders strive to enable organisations to adapt. For example, fast food restaurants such as McDonald's and KFC were able to swiftly transition their business strategies to offer takeaway services to continue operating. In comparison, some less resilient businesses, such as department stores Arcadia Group and Edinburgh Woollen Mill, Ponden Home and Bonmarché chains, become insolvent and were acquired by online stores.

Two cultures

Organisations that have risk management departments that have no access to the C-suite can potentially create two separate risk cultures within an organisation. My research among 30 organisations in the construction sector, for example, shows that project communities were aware of the organisation's risk vision when they were supported by a risk management department. But interviews with directors in those companies revealed were unaware of those alternative visions despite being in charge of setting the overall direction of the business. Therefore, one must ask, what vision are the project managers working towards?

In the absence of a corporate risk vision, should risk managers create their own organisational risk vision to enable them to meet their objective (a common risk language and risk culture), which they feel the organisation requires to enjoy the benefits of ERM? If so, one would have to ask the difficult question of whether the misalignment of the risk

LEADERSHIP STYLES

MODEL/AUTHOR	TYPE OF LEADERSHIP STYLES	EXAMPLE LEADERS
Blake and Mouton – Managerial Grid	*Laissez Faire* – lack of urgency creating frustration. The leaders often surrounded themselves by competent people and allow employees to learn through mistakes.	Warren Buffett (CEO, Berkshire Hathaway).
	Autocratic – results focused, not employee focused. This results in lack of open communication and limits safe culture.	Steve Jobs (Apple) – reduced the workforce by 3,000 and discontinued 70% of Apple's products to increase performance.
	Human Relations – employee happiness, not performance focused. Democratic and empowering employees with the intent that they are the people who will help drive our business success; this can hinder accelerated growth and implementation of ideas to which there is resistance, and it can take longer to embed the company's vision.	Annastasia Seebohm (Global CEO, Quintessentially Group).
	Democratic – enable employees, increasing performance and communication through an environment of open communication, while increasing competency and capability of followers, but more importantly improve the quality of data collection, activities required for a successful ERM framework.	Richard Branson (founder of Virgin Group) – enabling ideas to be discussed and approved, even if it does not align with his own, moving forward with the majority.
Bass and Avolio, 1933	*Transformational* – motivate via intangible rewards (building capability, confidence and recognition). Stimulate employees and improve organisational performance, where employees are committed to the activity or organisation. The most beneficial leader when trying to embed change.	Jeff Bezos, Amazon.
	Transactional – seek to motivate employees through tangible rewards (salary and status). This does not build the type of culture that is needed is needed for embedding ERM: it only ensures the task is performed (albeit maybe poorly).	Charles de Gaulle.

management department's vision and the organisation's overall risk vision and appetite produces substandard results due to the lack of engagement between senior leaders and risk teams. This finding implies that risk management functions also bear responsibilities for creating a risk-aware culture within organisations.

Organisations having a road map to ensure there is a risk presence within the C-suite (CROs) could potentially assist and accelerate the process of successfully driving a single risk management vision and culture throughout the business. That could help reduce the complexity of embedding ERM by helping to create an organisational objective for putting in place risk management culture that contributes to leaders demonstrating the most effective style and traits to embed ERM. Furthermore, that approach could help senior leaders reduce the risk of misinterpreting risk departments' data based on misaligned language or misinterpreted data.

Putting these insights into a framework to embed ERM can help us see how to do this in practice (See *Using leadership styles to embed ERM*).

This framework model provides the successful combination of three key and mandatory elements required for successfully embedding ERM: leadership, risk function and governance. Until now, there have been theories of the impact that leaders have, but this model highlights the leadership styles and behaviours that, if adopted, will promote and drive a risk culture that enables the ERM framework to be embedded. This in turn could accelerate the risk and ERM maturity within their organisation.

ERM insight is and will continue to be pivotal for future organisational success, through resilience and sustainability, balancing risk and reward. The model is cyclical allowing continuous improvement and learning to be adopted, like that of a best-practice risk management approach. How senior leaders create a safe environment and act upon information is crucial in driving risk management in organisations. Nevertheless, evidence suggests that risk managers also have an essential role to play.

Donna Festorazzi (MIRM) is a risk director at Risk & Value Solutions. The article reflects the findings of the research she carried out for an MSc in risk management.

IRM risk predictions 2022

BY STEPHEN SIDEBOTTOM, IRM CHAIR

With many fast-moving, complex risks on the horizon, IRM's annual report from its interest groups sheds light on the difficult roads ahead

IRM's risk predictions 2022 highlight five areas for boards to focus on: geopolitics, inflation, post-pandemic recovery, workforce, and environmental, social and governance (ESG) issues.

"One of the challenging things about these risks is that they play out over multiple time-scales," Stephen Sidebottom, IRM chair, wrote in the introduction to the report. "All boards and executive teams have to balance things that are urgent against things that are important."

He noted that few risk managers would have experience of dealing with inflation or the risks it poses. In addition to the potential failure of dealing with people in the workforce as businesses seek a new normal, he said ESG must move centre stage.

"2022 has to be the year boards recognise the consequences of ESG failures as an existential risk for most major companies," he said.

Risk groups

The report represents the views of IRM's risk interest groups across a range of disciplines. For example, Isaac Alfon and Justin Elkins of IRM's Insurance Group consider the so-called great resignation. As older, more experienced staff leave the workforce, how will businesses cope? "Risk managers will need to evaluate whether the business, including the risk function, has the skills and capabilities needed to deliver in 2022," they said.

In addition, Sarah Gordon IRMCert, of the IRM Innovation Group, said that digital and physical spaces needed to be better integrated.

"We expect an increase in hybridisation within organisations," she said. "New technologies must and will be created, developed, and legitimised in these spaces as the interface between humans and machines shrinks further."

Martin Massey MIRM, chair of the recently formed IRM Climate Change Group, said that 2021 had been a big year for the area, especially since the UK hosted the global meeting known as COP26. This event and extreme weather in many parts of the world have helped move climate change up the corporate agenda.

"Perhaps the most important trends in 2021 that we see continue include corporate pledges and climate-related financial disclosures," Massey said. "Climate change awareness and adaptation and wider ESG criteria are increasingly valued by shareholders including investors, industry regulators, employees, and customers. We are continuing to see record numbers of corporate pledges, especially net zero targets on mitigating climate change, which is raising the bar for corporate governance."

The report covers many specialist risk management disciplines, from climate change, construction and cyber to energy, environment and financial services. In addition, it provides a global view from South Africa, India, the Middle East, Iraq and the United States of America.

Agility

While businesses have rightly focused on resilience for much of 2020 and 2021, Michael Rasmussen, CMIRM, IRM Global Ambassador in the United States, warned that this will not be enough in 2022. They will need to become more agile too.

"Organisations in 2022 need to be agile organisations to avoid and prevent events," he said, "but we also need agility to seize on opportunities and reliably achieve (or exceed) objectives."

The most successful would also need to become creative in the way they managed risk, he added.

Read the full report here: https://bit.ly/3MmtF2S

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Diminishing returns

Organisations are creating a world where the reduced emotional range of machines could become the standard for all human relationships

How people relate to machines is set to become a major issue for both individuals and the organisations in which they work. Yet there is little concrete work done on how interacting with devices changes our behaviour.

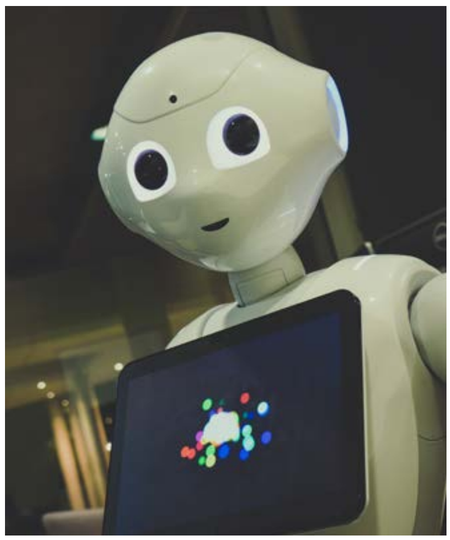
Anthropomorphism is not well understood – why people give objects human qualities. So, as technologists continue to create devices with human characteristics – not just voices and eyes, but faces and limbs – what does that do to our own thoughts and emotions? And our relationships with each other?

Identity

It is an issue that the clinical psychologist Sherry Turkle has been exploring for almost 30 years. During a study trip to MIT in the United States, she realised that people had started using the language of computing to discuss their relationships. A trilogy of books followed – each more pessimistic than the last.

In her final book in that series, *Alone together*, she tackles the difficult decision to use machines to care for the elderly. Given its ageing population, Japan was one of the first societies to use robots in this way. In the 1990s, a cuddly koala robot (Wandakun), which responded to being petted by purring, singing and speaking, was introduced in a few care homes. One elderly resident said, "When I looked into his large brown eyes, I fell in love after years of being quite lonely."

Image credit: Owen Beard / Unsplash.com



> **When I looked into his large brown eyes, I fell in love after years of being quite lonely**

Caring less

Since, more robots have been introduced in other clinical settings, including in the US in the form of My Real Baby, for example. But Turkle is not convinced that caring machines are a good thing. She agrees that such robots can take care of someone's desire to share a story or a secret, for example, but argues that they do not care about the person at all.

In fact, this sort of care, she continues, shows that as we are making more jobs robot-ready, we are also stripping them of human qualities such as empathy. In the care system, that can be most readily seen by the reality that in many homes, each member of staff has so many patients and yet so little time.

Turkle says that her seminar students – she is Abby Rockefeller Mauzé professor of the Social Studies of Science and Technology at MIT – accept that in future they will need to become accustomed to a range of relationships: "some with pets, others with people, some with avatars, some with computer agents on screens, still others with robots."

But she writes that too many people could fall into thinking that robots – like those in care homes – are the best we can do. Having created systems where people do not have time to care, introducing robots that cannot care less seems to be a logical next step. "As we learn to get the 'most' out of robots, we may lower our expectations of all relationships, including those with people," she warns.