

Setting the Risk Agenda

Exploring the future of the risk management profession

Full Report

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About the Institute of Risk Management (IRM)

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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University for the Common Good

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Find out more: www.gcu.ac.uk

Foreword

In 2016, IRM celebrated 30 years of providing education, training and professional development to the risk profession. IRM started life in the City of London in the UK but swiftly attracted worldwide attention and today has over 6,500 members and students in more than 100 countries around the world.

The past 30 years have seen huge changes in the risk environment and also in the ways that we seek to manage uncertainty. We anticipate that the next 30 years will be no different. If anything, opinion seems to be that change is accelerating, enabled by technology and globalisation, and the profession must respond. But what does this mean? How should we practice what we preach and ensure that we are resilient and properly equipped for the future?

“...change is accelerating, enabled by technology and globalisation, and the profession must respond...”

To mark our 30th anniversary, we launched our Risk Agenda 2025 project to harness the collective expertise of our membership and contacts around the world. We have held a series of debates, involving many of our regional groups. We have also sought the view of our contacts in other professions – we need to avoid the danger of talking only to ourselves. We have interviewed key risk commentators and invited them to give us their thoughts. And finally we undertook a widespread survey of the risk community. The results of these exercises are in this document.

We would like to thank everyone who has contributed to this project and in particular Sword Active Risk whose sponsorship has made our design and print possible. One of IRM’s key strengths is that it is an independent, not-for-profit organisation – direct sponsorship support from leading industry partners means that we can plough any surpluses straight back into developing risk management education and services for members.

Our findings indicate a number of areas where adaptation will be necessary – by individual risk professionals, by their employers and also by the Institute itself. The IRM Board is committed to an exciting agenda of change in order to play our part in supporting the profession going forward.



Nicola Crawford CFIRM
IRM Chair



Clive Thompson CFIRM
IRM Director
Leader of the Risk Agenda 2025 Project

Background to the project

During the course of 2016/17, IRM conducted a number of workshops around the UK and across the globe involving hundreds of participants (for more details, see page 27) and ran a survey that received over 450 respondents. From the analysis of the data captured from both the workshops and also the survey, the following main issues, outlined in more detail in the body of this document, emerged:

- Economic volatility / financial instability
 - Geopolitical volatility
 - Technological advances
 - Increased competition
 - Disruptive business models
 - Climate change and natural resources
-

Executive Summary

Risk managers recognise the challenges they face that are coming from increased business outsourcing, greater political uncertainty (including but not limited to Brexit) and business volatility.

The challenges of demographic and socio-economic factors, climate change, digitisation and new technology, combined with the increasing complexity of risks, are placing more demands on organisations. This is set to increase by 2025.

Our survey considers ways in which global and regional risk issues may impact upon strategic and operational objectives by 2025.

Technology is transforming the risk landscape

Transformation in technology and associated risks are expected to have the greatest impact upon organisations by 2025. Technological risk is expected to become increasingly complex with the growth of new technologies beyond those currently recognised. Particular areas of growth identified were big data analytics, AI, robotics and blockchain technology.

Moving towards 2025, technology will permeate the operations of an entire institution. It is expected that the organisational risk function will be better equipped to manage these technological risks and there will be a continued commitment towards the development and resourcing of risk management in the future (survey respondents reported significant increases in past five years).

Living in an era of greater uncertainty

New technological advances and climate change are delivering an era of greater uncertainty and volatility at a time when opportunities are expanding and becoming more globally integrated and complex. Disruption to business models, financial instability and economic and geopolitical volatility are expected to have the greatest impact upon organisations by 2025, and contain both threat and opportunity.

Large-scale, global natural disasters and a failure of mitigation and adaptation to climate change are likely to become more challenging for organisations moving towards 2025. Organisations need to reflect on their existing risk architecture and its suitability for managing such risks.

These new risk trends are emerging simultaneously and will compel the forward-looking organisation to adopt or adapt new or existing risk systems and processes. Respondents to our survey indicated that, today, risk management is driven by the corporate risk function. By 2025 it is expected that embedded processes and new automation will have engaged the business in managing risk more fully.

Respondents view of how risk management will change

Risk managers are expected to acquire, or retain, operational skills in finance, technology and key operational functions performed within their organisation. This is likely to lead to a greater degree of specialisation of risk managers. It will facilitate increased integration into business units permeating an organisation.

Respondents forecast a growth in the strategic role of the risk manager of 2025. Risk professionals increasingly operate within contemporary governance arrangements that integrate risk and crisis management to better anticipate and manage emerging and operational risks. Towards 2025 it is expected that risk professionals will be knowledgeable in qualitative aspects of human behaviour and will address culture in organisations. Essential skills for risk managers will include:

- > Strategic thinking
- > Influencing
- > Confidence

“I believe that risk management is a sector that will grow significantly over the next eight years, but with this growth, risk managers must grow and adapt, therefore, there will be a greater demand for collaboration and knowledge sharing throughout the risk profession. The IRM will be a key enabler in the growth of risk management.”

1. Demographics of respondents

The majority of respondents were male (62.6%) and over a third of respondents were female (37.4%). Majority of respondents were in the age range of 26-55 years old indicating a good spread across all age groups.

Table 1: Age range of all respondents by gender

	Under 26 years	26 - 35 years	36 - 45 years	46 - 55 years	56 - 65 years	Over 65 years	Total
Male	21.4%	60.4%	61.9%	60.9%	69.5%	100%	62.6%
Female	78.6%	39.6%	38.1%	39.1%	30.5%	0%	37.5%

Respondents tended to be from the following industries: public sector, insurance, banking, consultancy, other financial services, construction, transport, manufacturing, education and training. Respondents were predominantly Risk Managers or Risk Director / Head of Risk / Chief Risk Officer or a risk team member.

Figure 1: Job role of all respondents by gender

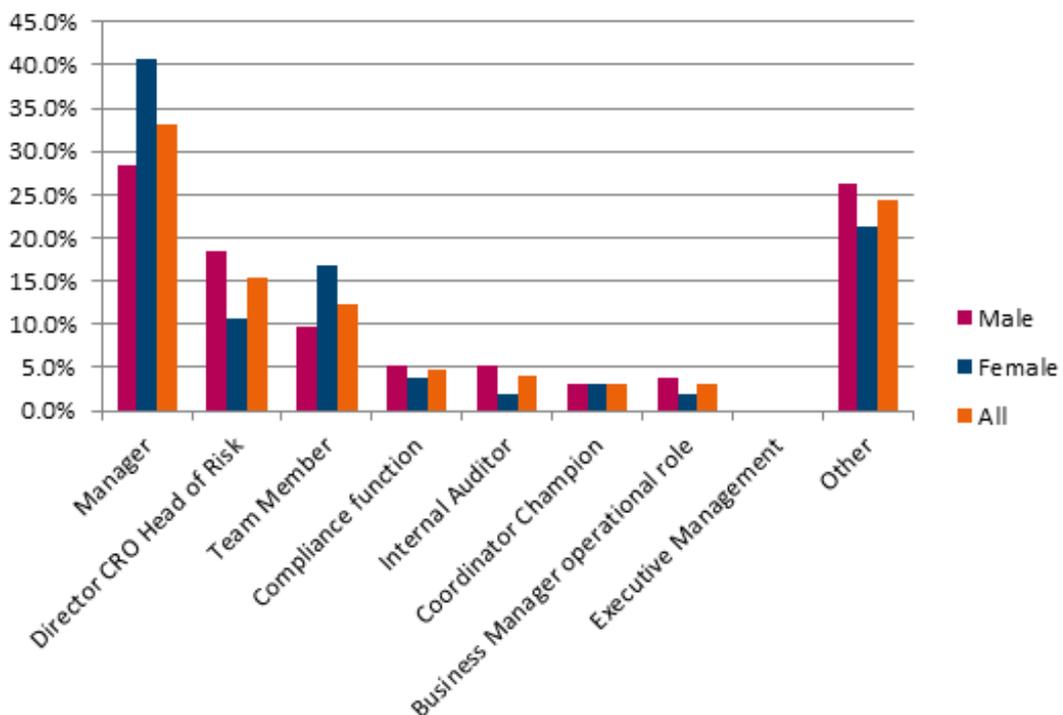


Table 2: Indicates the current membership of professional bodies as per respondents and by gender.

Table 2: Membership of professional bodies of all respondents by gender

Professional Body	Male	Female	All
Institute of Risk Management	45.5%	57.0%	49.8%
Chartered Insurance Institute	6.3%	7.9%	6.9%
Chartered Institute of Internal Auditors	5.6%	3.9%	5.0%
Business Continuity Institute	4.8%	4.4%	4.6%
Association for Project Management	4.0%	3.9%	4.0%
Institute of Chartered Accountants (England, Wales, Scotland or Ireland)	2.1%	3.5%	2.6%
Association of Certified Accountants	2.4%	0.9%	1.8%
Institution of Occupational Safety and Health	2.4%	0.9%	1.8%
Chartered Institute of Management Accountants	1.1%	0.9%	1.0%
Chartered Institute of Public Finance Accountants	1.1%	0.9%	1.0%
Association of Corporate Treasurers	1.1%	0.0%	0.7%
Institute and Faculty of Actuaries	0.5%	0.4%	0.5%
Institute of Chartered Secretaries and Administrators	0.3%	0.4%	0.3%
Other	23.0%	14.9%	20.0%

1. Demographics of respondents (cont.)

In terms of the time spent by respondents in a risk management role this varied.

Table 3: Tenure in risk management role of all respondents by gender

	Male	Female	All
Less than two years	11.4%	18.9%	14.2%
Two - four years	20.3%	23.7%	21.6%
Five to nine years	24.9%	24.9%	24.9%
10 to 14 years	14.2%	17.2%	15.3%
15 to 25 years	16.7%	10.7%	14.4%
More than 25 years	12.5%	4.7%	9.6%
Estimated average tenure (in years)	11.3	8.2	10.1

The annual turnover of respondents' employers was predominantly more than £250 million.

Figure 2: Employer's annual turnover



In terms of the location of the employer's headquarter, 57.5 % were based in the UK with 11.6 % in Europe, excluding the UK, and 10.1 % from North America.

Table 4: Employer's headquarter base

Location	% of respondents
UK	57.5 %
Europe excluding UK	11.6 %
Middle East	4.7 %
Africa	7.2 %
Asia	4.7 %
Central & South America	0.9 %
North America	10.1 %
Australasia	2.0 %
Other	1.3 %

Focus group participants were spread across Africa, Europe and the Middle East and so data is globally representative.

2. Trends in risks impacting organisations

Organisations today face many challenges to their business operations, from uncertain economic growth to the speed of technological advancement, whilst the risks of natural catastrophes remains high on the agenda as identified by survey respondents and focus group participants. The challenges of demographic and socio-economic factors, digitisation and new technology, combined with the increasing complexity of risks, are placing more demands on an organisation.

Such risk trends create increased uncertainty for organisations whilst simultaneously providing opportunities to improve risk management. This has led to introspective considerations of the way in which global and regional risk issues may impact upon strategic and operational objectives by 2025.

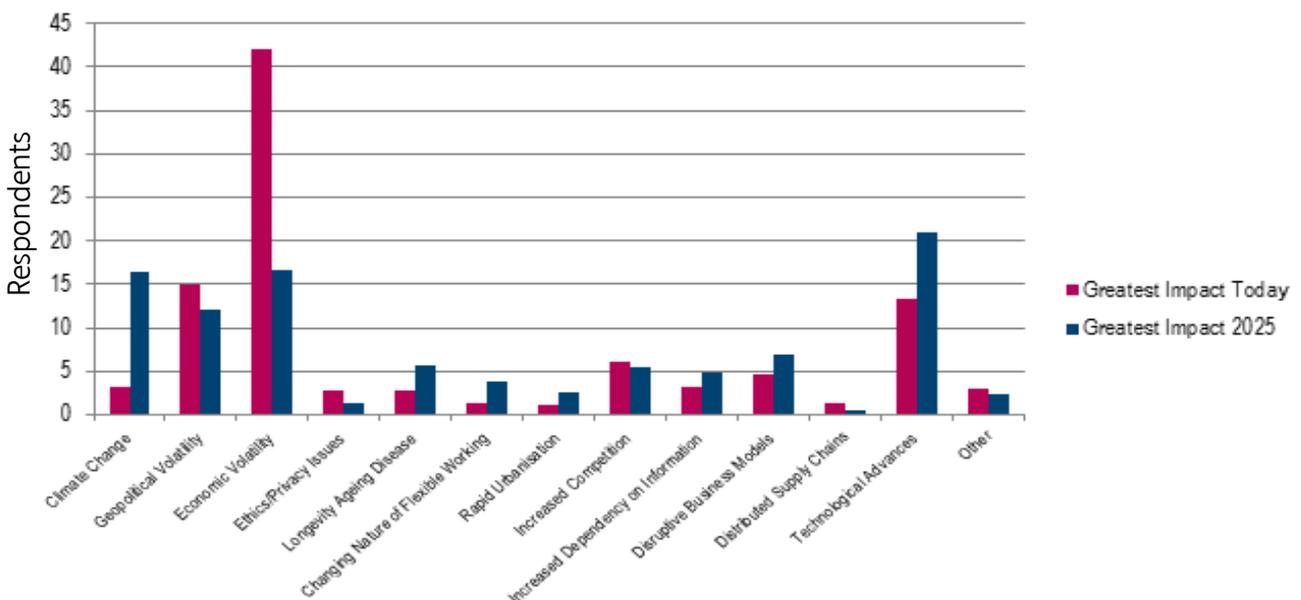
New risk trends have the potential to significantly alter the risk landscape for organisations globally and transform how they respond to and manage risk. This section of the report illustrates key risk trends expected by 2025.

2.1 Demographic and socio-economic factors

Greatest impact today and by 2025

Respondents were asked to consider which types of demographic and socio-economic factors are having the greatest impact upon their organisation today and which would subsequently do so by 2025. These risks ranged from economic and geopolitical volatility to longevity/ageing/disease as presented below:

Figure 3: Trends in demographic and socio-economic factors



Those risks, which had increased in priority for respondents by 2025, are:

- > Climate change
- > Technological advances
- > Longevity and ageing
- > Disruptive business models
- > Changing nature of flexible working
- > Rapid urbanisation

Whilst economic and geopolitical volatility had decreased in priority, both remained a key concern for respondents. **Table 5** below outlines the top five risks ranked in order of importance by respondents today and by 2025.

Table 5: The top five risks with greatest demographic and socio-economic impact

	Today	2025
1	Economic volatility / financial instability	Technological advances
2	Geopolitical volatility	Economic volatility / financial instability
3	Technological advances	Climate change and natural resources
4	Increased competition	Geopolitical volatility
5	Disruptive business models	Disruptive business models

A key change by 2025 is the inclusion of ‘climate change and natural resources’ which replaced ‘increased competition’ today. Large-scale, global natural disasters and a failure of mitigation and adaptation to climate change, are likely to become more challenging for organisations in 2025.

Irrespective of ‘climate change and natural resources’, the risks impacting on an organisation today were expected to be the same by 2025, with changes only to the relative prioritisation of those risks. Two notable adjustments were ‘technological advances’, and ‘geopolitical volatility’, which moved from 3rd place to 1st and 2nd to 4th respectively, and the lack of inclusion of ‘increased competition’ by 2025 (see **Table 5**).

The emergence of new technology and the inclusion of existing technology in business operations are expected to have the greatest impact on an organisation by 2025 as discussed in more detail in the following section.

“With the erratic geopolitical climate that seems to be becoming more of a modern feature in the world, risk managers will need to be reactive, flexible and robust. Previous assumptions can no longer be taken for granted and scenarios change at the drop of a hat.”

2. Trends in risks impacting organisations (cont.)

There were variations in what socio-economic risks were identified as being significant by 2025 depending on the geography of the focus groups. Participants from Kuwait, Uganda, Dublin, Northern Ireland and London identified similar risk trends to the survey respondents illustrated above; focus group participants in Nigeria identified a number of demographic and socio-economic risks which did not feature in the survey:

- > The elimination of cash payment in Government transactions and transparency
- > The process of tax evasion
- > Limited contracts in oil and gas
- > The link between politics, ethics and corporate social responsibility
- > CSR in agriculture
- > A lack of awareness of the economic situation of the country

The focus group held in Uganda highlighted that a key risk is fraudulent activity and how to manage it.

Socio-economic and demographic risks with the 2nd and 3rd greatest impact today and by 2025

Respondents were asked to identify socio-economic and demographic risks considered to have the 2nd and 3rd greatest impact on their organisation today and by 2025. Risks identified were similar to those with the greatest impact, illustrated above: an increased dependency on information (see **Table 6**) and ethics and privacy issues (see **Table 7**) appeared as significant as having the 2nd and 3rd greatest impact respectively.

Table 6: The top five risks with greatest demographic and socio-economic impact

	Today	2025
1	Economic volatility / financial Instability	Technological advances
2	Technological advances	Economic volatility / financial instability
3	Geopolitical volatility	Geopolitical volatility
4	Increased competition	Increased competition
5	Disruptive business	Increased dependency on information

Those risks identified as having the 3rd greatest impact again were similar to those listed above with the exception of 'longevity, ageing society'. Ageing populations can be challenging for many public sector organisations due to the increased support required via social care and the financial implications this has.

Table 7: The top five risks with 3rd greatest demographic and socio-economic impact

	Today	2025
1	Technological advances	Technology advances
2	Increased competition	Economic volatility / financial instability
3	Ethics and privacy issues	Longevity, ageing society
4	Increased dependency of information	Increased dependency on information
5	Economic volatility / financial instability	Geopolitical volatility

“In my view, risk management is likely to be influenced by the emergence of geopolitical and transboundary risks. International regulation specialists will be in high demand as well as people able to understand and aggregate risks influenced by international cultures.”

Other risks identified by respondents

There were a number of additional demographic and socio-economic risks referred to by both survey respondents and focus group participants. These include:

- > Regional cultural differences
- > Population growth and decline
- > Changes to government policies and reforms, legislation and regulation
- > Decreased funding from central and regional governments for local authorities
- > Political pressures

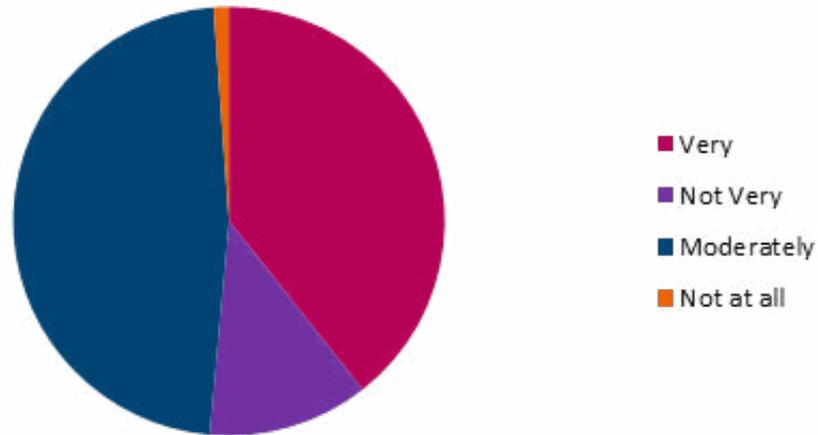
Risk managers recognise that as the external environment changes (e.g. through the increased outsourcing of business operations, Brexit, changes to regulation and legislation, and as public sector organisations’ budgets are reduced further, etc.) they need to manage these risks accordingly and in a proactive manner.

“Political influences and operating licenses influenced by governments are evident in risk.”

2. Trends in risks impacting organisations (cont.)

Respondents were asked how knowledgeable they thought their Boards were about the potential impact of demographic and socio-economic factors on the organisation's strategy and objectives:

Board's knowledge of demographic socio-economic risk

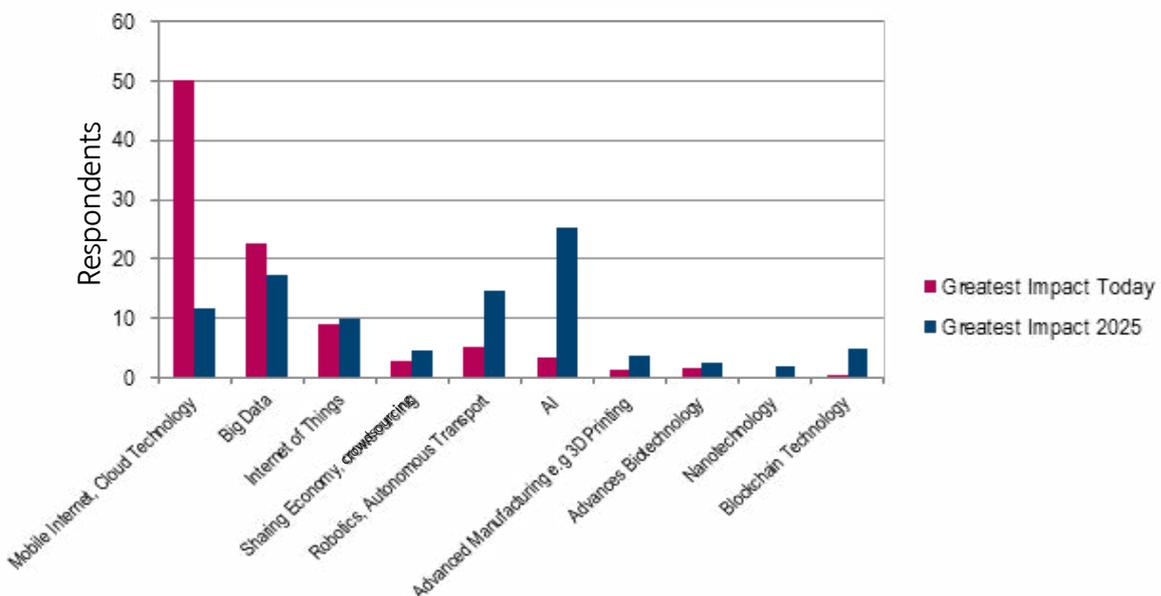


46% of respondents indicated that their Board was moderately knowledgeable and 38% of respondents suggested that they are very knowledgeable. This suggests an increasing awareness by the Board of the potential impact of such risk factors on their organisation's strategy and objectives and which have the potential to disrupt organisational output. This also indicates that the onset and consequences of risk are acknowledged at a strategic level within organisations. Key to this is improving and building upon knowledge towards 2025 as newer, complex risks emerge.

2.2 Technological development and risk

Respondents were asked to rank which technological developments were having the greatest impact on their organisation today and to those expected to have the greatest impact by 2025. Risks ranged from mobile internet technology to artificial intelligence and blockchain technology (see **Figure 4** below):

Figure 4: Trends in technology development impacting on risk



Those risks, which had increased in priority for respondents by 2025, can be categorised as:

- > Internet of Things (IoT)
- > Sharing economy / crowdsourcing
- > Robotics and autonomous transport
- > Artificial Intelligence (AI)
- > Advanced manufacturing
- > Advances in biotechnology
- > Nanotechnology
- > Blockchain technology

Whilst mobile internet and big data had decreased in priority, both remained a key concern for respondents, with big data identified as a top risk by 2025. Focus groups across the UK expect technology, big data, changes in regulation, compliance, AI and automation of risk to be the most significant drivers. **Table 8** below outlines the top five risks ranked in order of importance by respondents today and by 2025.

Table 8: The top five risks with greatest impact technological development

	Today	2025
1	Mobile / internet technology	AI
2	Big Data	Big data
3	Internet of Things	Robotics / autonomous transport
4	Robotics / autonomous transport	Internet of Things
5	AI	Blockchain technology

A key change for 2025 is the inclusion of ‘blockchain technology’ which has replaced ‘mobile/internet technology’ today. Survey respondents and focus group participants recognised that developments in technology present key risks and challenges to organisations. Understanding technological development and its impact upon organisations is vital to maintaining competitive advantage.

“I have faced new advanced technologies, in relation with information and data, such as AI, big data and IoT. Many companies have invested in the technologies and some of the first movers drive a relevant trend. However, there is truly no cultural consensus for sharing and openness to consider more perspectives on any social issue or phenomenon. I think that nowadays technological domination regarding data asymmetry could increase uncertainty more.”

2. Trends in risks impacting organisations (cont.)

Technology enables key processes that a company uses to develop, deliver, and manage its products, services and support operations. Respondents were asked what impact technology developments would have on the risk function by 2025. Respondents recognised that technological developments could mean an increase in the ability of an organisation to take advantage of new risks and opportunities.

Whilst developments in technology present organisations with new opportunities, at the same time, organisations must respond to the associated, emergent risks. Survey respondents and focus group participants recognised that in business, particularly in information technology, mistakes can be costly. From information theft to lost worker productivity to missed sales opportunities, technology errors can all create risks.

“Risk management will have a higher profile due to the rapidly changing world and technological advances. Facing and dealing with issues we probably haven’t even yet considered - driven by political events and changes, technology disruption, Gen X,Y, Z and societal changes.”

Such risks may threaten organisational objectives and disrupt business lines by 2025. It is vital that organisational responses to technological advancement are deliberate. Technology permeates the operations of an entire institution and therefore technology risk cannot be compartmentalised.

Notwithstanding ‘blockchain technology’, the risks impacting organisations today were considered the same by 2025; only the prioritisations of those risks were new. ‘AI’ ranked 5th today but had move to 1st by 2025 and ‘mobile/internet technology’ did not feature in 2025 (see **Table 8**). Technological risk is expected to become increasingly complex with the growth of new technologies beyond those currently recognised.

“In relation to the “advanced” technologies listed in the first half of the survey and the question concerning their impact in 2025: there is a big chance that many of these technologies have become the standard by 2025 and that new “advanced” technologies have appeared already that will overshadow the earlier ones.”

Developments in technology with the 2nd and 3rd greatest impact today and by 2025

Respondents were asked to identify the technological development considered to have the 2nd and 3rd greatest impact on their organisation today and by 2025.

Table 9: The top five risks with 2nd greatest impact technological development

	Today	2025
1	Big data	AI
2	Mobile internet / cloud technology	Mobile internet / cloud technology
3	Internet of Things	Big data
4	Robotics / autonomous transport	Internet of Things
5	Sharing economy / crowdsourcing	Robotics / autonomous transport

Risks identified were similar to those with the greatest impact with the exception of sharing economy / crowdsourcing identified as having the 2nd and 3rd greatest impact (see **Table 9** and **Table 10**).

Table 10: The top five risks with 3rd greatest impact technological development

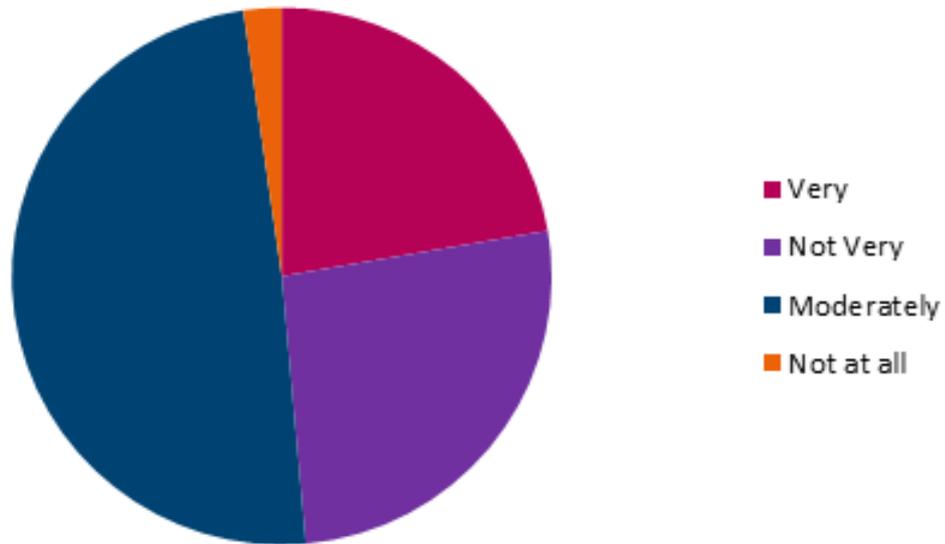
	Today	2025
1	Internet of Things	Big Data
2	Big data	AI
3	Mobile internet / cloud technology	Internet of Things
4	AI	Mobile internet / cloud technology
5	Sharing economy / crowdsourcing	Robotics / autonomous transport

48 % of respondents consider their Boards to be knowledgeable about the potential impact of these risks, 22 % were moderately aware and 25 % found their board to be not very knowledgeable.

Again, this indicates an increasing acknowledgement by the Boards of the potential impact of technological developments on their organisations' strategy and objectives.

2. Trends in risks impacting organisations (cont.)

Board's Knowledge of Technology Risk



“Today, formal risk management is rarely used by organisations unless they are required by law or regulations. With an increased awareness of cybersecurity and the increased reliance on digital information across all business sectors and sizes, these businesses will also realise the benefits and implement risk management.”

3. The risk management function

This section focuses on the risk management function, including methods for managing risk, the suitability of current risk functions for managing current and future risks, drivers for risk management, and the responsibility for risk and its management in the context of the changing role of the risk function within organisations.

As the complexity of risk increases - founded on transformations in technology, climate and natural resources, and political and socio-economic influences by 2025 - organisations need to reflect on existing risk architecture and its suitability for managing such risks. As new risk trends emerge, as identified in the previous section, organisations should simultaneously be willing to adopt new, or adapt existing, risk systems and processes.

3.1 Methods for managing risk

Respondents were asked how well they considered their risk function was equipped to manage certain risks. Few risks were regarded as being managed 'very well' in both categories; respondents were more likely to indicate those that were managed 'moderately well', meaning that data was far richer in the latter and so is presented below for analysis. **Table 11** outlines the **top ten areas** where the risk function was regarded to be managing those risks, 'moderately well' ranked in order of priority. Risks are grouped into two categories (**socio-economic and demographic** and **advancements in technology**).

Table 11: Areas where the risk function is equipped to manage risk moderately well

	Today	2025
1	Economic volatility / financial instability	Economic volatility / financial instability
2	Geopolitical volatility	Big data
3	Mobile internet / cloud technology	Geopolitical volatility
4	Ethics and privacy issues	Business disruption
5	Business disruption	Internet of Things
6	Changing nature of work / flexibility	Sharing economy and crowdsourcing
7	Climate change and natural resources	Longevity, ageing society
8	Big data	AI
9	Rapid urbanisation	Ethics and privacy issues
10	Longevity, ageing society	Mobile internet / cloud technology

3. The risk management function (cont.)

Grouping those risks into two categories (**socio-economic and demographic** and **advancements in technology**) indicated that the current organisational risk function is better equipped to manage socio-economic and demographic risks than those associated with advances in technology. Moving towards 2025, it is expected that the current organisational risk function will be better equipped to manage the increasing development of technological risks such as big data, Internet of Things, sharing economy and crowdsourcing and mobile internet/cloud technology. Focus group participants referred to the development of risk management tools and technology by 2025. This suggests that organisations are recognising emerging risks and developing new, or enhancing existing, risk systems to manage this transformation.

“Risk management basics will remain unchanged. New revisions of risk management processes would arise coping with the fluctuations of business markets and advanced technologies. What would be subject to change are the techniques used to assess risks.”

Respondents were asked to what extent their organisation uses various methods to manage risk today and by 2025. Methods extended across AI, big data analytics to more traditional approaches such as scenario planning and horizon scanning. **Table 12** below outlines the top five methods of managing risk ranked in order of importance by respondents today and by 2025.

Table 12: Methods most extensively used to manage risk today and by 2025

Today	2025
1 Scenario planning	Scenario planning
2 Collaboration with other organisations – such as third part suppliers	Social media monitoring
3 Horizon scanning	Collaboration with other organisations – such as third part suppliers
4 Social media monitoring	Horizon scanning
5 Real time risk management monitoring	Real time risk management monitoring

Respondents indicated the most extensively used methods to manage risk today are expected to be the same by 2025. A notable adjustment is in the prioritisation of those risks with ‘social media monitoring’ expected by respondents to be more utilised by 2025. Technology-related failures often persist due to the breadth of such risks and the failure to recognise that information security is only one aspect of assurance, with organisations failing to mitigate their wider technology risks. Likewise, organisations may have to re-think the use of historical data and scenarios used as many may become outdated and irrelevant. The extent to which each of these methods is used is expected to increase by 2025.

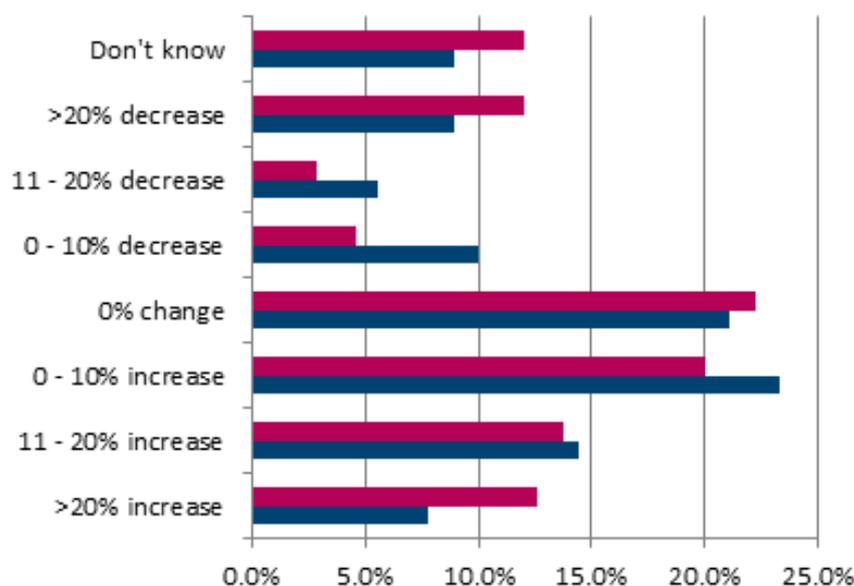
Respondents expect that their organisations will move towards increased technological ways of managing risk such as the use of big data analytics, smart contracts and blockchain technology, semantic technology and AI. This shift is most likely linked to the acknowledgement of emergent risks in technological advancement, as illustrated earlier, and indicates the transformation of risk architecture concurrent with the new, or the more advanced existing risks that need to be managed. Focus group participants in London, however, identified the need to simplify risk architecture generally and reduce the amount of bureaucracy associated with risk management.

“Risk management needs to be closer to strategy, supporting decision making and with the tools to look at risk / reward decisions in real time to be actively involved. Need to find ways of reducing or containing regulatory pressures to free time.”

49 % of respondents indicated that by 2025 budgets for the central risk function will increase and 29 % indicated that it would stay the same. At the same time, no doubt related to increased budgets, it is anticipated that the development of new technology will result in an increase in the number of people working within the risk function by 2025.

Respondents were also asked to indicate the average rise or fall of the headcount of the central risk function over the past five years; this had increased (see **Figure 5**):

Figure 5: Risk management headcount in the past five years by gender



21 % of respondents indicated that there had been an increase in headcount of between 0 and 10 % . 22 % of respondents found that there has been no change in the past five years. 15 % of respondents stated that there has been an increase of more than 20 % in the headcount of the risk function.

The indication that budgets are expected to either increase or stay the same, in addition to an increased headcount for the central risk function, indicates a commitment towards the development and resourcing of risk in the future.

3. The risk management function (cont.)

3.2 Roles and responsibility for risk

Effective risk management requires that individuals are present within an organisation to drive the risk strategy, policies and procedures. Key to this is the role of the Board at a strategic level to set the tone-at-the-top which is then supported by individuals throughout the organisation.

“Risk management needs to become part of what any business does, not an add on. Effective risk management is only achieved when it is part of what the business does, not directed or mandated by segregated risk managers (either within a risk function or within a business unit).”

Respondents indicated that risk management today is driven by the corporate risk or risk management department (49%) and by business unit managers (32%). By 2025 it is expected that the role of the business unit manager will increase to 78% whilst the involvement of corporate risk or the risk management department will decrease.

This indicates quite a shift in the role of the business manager in the management of risk. Respondents suggested that the activity of risk management could be expected to increase as a result of increased business unit involvement in risk, which is a positive outcome for risk management towards 2025.

“More integrated into business as usual with a small central team (1-2 people) driven by a Chief Risk Officer type role with responsibility for oversight, insight and ‘future proofing’.”

In terms of individual responsibility for risk, respondents indicated that the overall responsibility for risk is not simply the remit of the CEO, with 76% of respondents indicating that other individuals were also responsible. This might be an individual with overall responsibility reporting to the CEO, the Risk Committee or other main board committee or even directly to the Board. For those undergoing change in their organisational function, this change was driven initially by the chief risk officer or head of risk function followed by the chief operating officer.

Respondents agreed strongly that by 2025 risk management will play a key role in helping their organisation to manage disruption, an increase from 23% thinking that today versus 59% in the future. Similarly, respondents agreed strongly that by 2025 risk management will play a key role in helping their organisation to adapt quickly in taking advantage of new business opportunities. This indicates the shifting function of risk management within organisations wishing to gain competitive advantage.

4. The role of the risk manager in 2025

This section focuses on the changing role of the risk manager as we move towards 2025. It considers the skills and competencies needed today and how they are perceived as needing to change by 2025. In recent times, the role of the organisational risk manager has required more skills and technical competencies. It is clear from survey respondents and focus group participants that risk professionals increasingly operate within governance arrangements that integrate risk and crisis management to anticipate and better manage both emerging and operational risks. Key trends in the role of the risk manager moving towards 2025 were identified from the data.

The essential competencies for risk managers today include business acumen and qualitative skills in risk management; it is perceived as less important for risk managers to be experienced in quantitative skills.

“The core skills of a good risk manager (asking the right questions at the right time to the right people) haven’t changed since people started lending money. The challenge will be retaining these simple principles in an ever more complicated and distracting environment.”

4. The role of the risk manager in 2025 (cont.)

The technical competencies considered by respondents as being essential for risk managers today and by 2025 are illustrated in **Table 13**.

Table 13: Essential skills and technical competencies for risk managers today and by 2025

	Today	2025
1	Evaluating, development and implementing the risk strategy and risk policy	Building a culture of risk awareness aligned with other management activities
2	Building a culture of risk awareness aligned with other management activities	Influencing management decision-making
3	Facilitating the identification, analysis and evaluation of risks.	Evaluating, developing and implementing the risk strategy and risk policy
4	Evaluating organisational context and mapping external and internal risk context	Evaluating organisational context and mapping external and internal risk context
5	Evaluating, developing and implementing risk management processes, procedures and protocols	Establishing effective communication and consultation channels with stakeholders
6	Influencing management decision-making	Facilitating the identification, analysis and evaluation of risks
7	Establishing effective communication and consultation channels with stakeholders	Evaluating, developing and implementing risk management processes, procedures and protocols
8	Evaluating, developing and implementing risk management architecture, including individual roles and responsibilities	Evaluating, developing and implementing risk management architecture, including individual roles and responsibilities
9	Evaluating the efficiency and effectiveness of existing controls	Evaluating the efficiency and effectiveness of existing controls
10	Developing and maintaining the risk register	Developing and maintaining the risk register

By 2025 similar trends were evident, yet the prioritisation of essential skills and technical competencies has moved towards strategic thinking, influencing and governance arrangements.

The following five skills and technical competencies were overwhelmingly identified by our survey respondents as being of major importance by 2025:

- Building a culture of risk awareness aligned with other management activities (83 % of respondents)
- Influencing management decision-making (81 %)
- Evaluating, developing and implementing the risk strategy and risk policy (75 %)
- Evaluating organisational context and mapping of external and internal risk context (74 %)
- Establishing effective communication and consultation channels with stakeholders (70 %)

Risk managers are expected to acquire, or retain, core business operational skills in finance, technology and the other key operational functions performed within their organisation. This should lead to a greater specialisation of risk managers and their increased integration into organisational business units. The essential skills and attributes for risk managers to acquire in the future include: strategic thinking, influencing and confidence. These all point towards a growth in the strategic role of the risk manager by 2025.

“An important change will be the need for companies and business, HR and risk departments to be more open-minded about other risk management-related disciplines. I find financial services do not really accept others from outside the sector that have relevant skills and experience, particularly from an ERM perspective. The reverse may also be true. This will become increasingly relevant with more regulation, rapid change (internal and external context) and the growing need for risk management professionals. I call this cross sector skills application and integration in risk management.”

Respondents referred to other specific skills and technical competencies important for risk managers today and by 2025. These can be grouped into the following categories: softer skills, heuristics, behaviours, data analytics, processes and software and business interruption, and business continuity management. Respondents suggested that a key area of development for risk managers was the knowledge and understanding of psychological factors (bias, heuristics, and people risk).

“Risk managers need to become more familiar and aware of the behavioural aspects of risk management. In addition, tools and techniques may need to evolve to reflect the changing nature of the risk landscape.”

Focus group participants in London considered that the skills of a risk manager should extend to cultural risk awareness, understanding regulation, developing a strategic approach to risk and development of a risk appetite. References were made to the role of the risk manager in increased resilience-planning, business continuity and conduct risk.

Participants of the focus group held in Uganda identified that the future role of the risk manager should take account of ethical professionalism. Increasingly, the role of ethics across all sectors is considered as key to improving the personal and corporate standards of behaviour expected of professionals.

“The future of risk culture and how this may be changed - and obstacles preventing this from happening - is a key area which will decide the future of Risk management.”

4. The role of the risk manager in 2025 (cont.)

Support for change by 2025

Focus group participants referred to the support required for risk managers to manage the expected transformation to the risk landscape by 2025. Suggestions included:

- Increased cultural change to support the changes in technological advancement
- The growth of risk education, training and capacity-building embedded within organisations
- Different skills and people to manage the changes
- Revised enterprise-wide approaches to capture risks across a range of inputs, providing uniformity and consistent risk management
- Investing in technology and people as decisions are still made by people
- Make risk management a global agenda
- Embed an effective risk culture within organisations
- Risk awareness and the involvement of all employees, including a feedback mechanism
- Enhance the ethical code of conduct amongst risk professionals

“Expand the scope of risk management from Enterprise Risk Management to incorporate Compliance Risk Management.”

Thank you very much

IRM would especially like to thank all of the following who have contributed to this project:

The Risk Agenda 2025 project team:

Carolyn Williams CMIRM, IRM Director of Corporate Relations

Chris Glennie, IRM Chief Operating Officer

Clive Thompson CFIRM, IRM Director and Project Director, Willis Towers Watson

Gail Easterbrook, IRM Deputy Chief Executive (retired)

Karlene Agard IRMCert, Risk Professional on secondment to UK House of Commons

Mark Boulton CFIRM, Director DNV GL

Switzerland Regional Group, led by Martin Tang

All-Ireland Regional Group, led by Eugene Lehane, Sean McGahan and George Ong

Kenya Regional Group, led by Dorothy Maseke

Uganda Regional Group, led by Dorothy Maseke

Qatar Regional Group, led by Rahat Latif

Zimbabwe Regional Group

South Africa Regional Group, led by Zanele Makhubu

North West England Regional Group

Representatives of the Institute of Loan and Risk Management, Nigeria

Delegates at the Kuwait Petroleum ERM Conference 2017

Mark Goyder, Founder and Chief Executive, Tomorrow's Company

Dame Judith Hackitt, IRM Honorary Fellow, Chair of the Engineering Employers Federation

Gabriel Bernardino, Chairman, European Insurance and Occupational Pensions Authority

Sarah Blackburn, Vice Chair and Chair, Risk and Assurance Committee, NHS Digital

Ian Pickard, Partner, Strategia Worldwide

Richard Archer CMIRM, Chief Risk Advisor, BT Business

Peter Swabey, Policy and Research Director, ICSA: The Governance Institute

Norman Marks, IRM Honorary Fellow

Dr David Hillson, FIRM, The Risk Doctor

Louisa Shand, Governance & Risk Adviser, Chartered Institute of Personnel and Development

Dr Michelle Tuveson, Executive Director and a co-founder at the Cambridge Centre for Risk Studies

Bill Stein, Glasgow Caledonian University (retired)

Felix Kloman FIRM

Paul Howard CFIRM, Former IRM Chairman

Gillian Lees, Senior Director of Governance & Risk Research at the Association of International Certified Professional Accountants

Chris Mandel, Previous president and board director of RIMS

Professor Mike Power, London School of Economics and Political Science

Martin Shaw, Chief Executive, Association of Financial Mutuals

Thanks also to many others who have responded to our survey and taken part in our workshops.

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The logo for the Institute of Risk Management (IRM) consists of the lowercase letters 'irm' in a white, sans-serif font, centered within a solid blue square.