



# Evolution of Risk Management: Rethink, Reframe, and Reposition

RIMS Massachusetts Chapter Spring Conference  
Evolution of Enterprise Risk Management

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# Getting to Know You

- How many of you are in private enterprise? Public sector?
- Is your role as a risk professional fully supported within your organization?
- If your organization has already implemented ERM, please stand up.
- If you are leading your organization's ERM program, please continue standing.
- Thank you. You may sit down now.

# Agenda

- Rethink
- Reframe
- Reposition
  - Your Brand
  - What Do You Want to Be Known For?
  - Competencies and Compensation
- Questions



Elevating Risk Management  
**RETHINK**

# Rethink: The Risk Professional Balancing Risk and Reward

"MY JOB IS TO CREATE AN ENVIRONMENT WHERE EMPLOYEES FEEL SAFE TAKING RISKS."

"MY OTHER JOB IS PUNISHING EMPLOYEES WHO MAKE ANY KIND OF MISTAKE."

"MY POINT IS THAT I'M GLAD I DON'T HAVE YOUR JOB."



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# Rethink: What Does Risk Management Mean... to you?



## An organizational function

- Shapes risk principles and policies
- Informs communication and training



## A process

- Identification and assessments
- Monitoring and reporting



## A discipline for decision-making

- Organizational objectives
- Actions based on common “intelligence”

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Source: RIMS Workshop - Risk Management Techniques: *Gaining the Risk Advantage*, 2013. All rights reserved.

# Rethink: The Function's Evolution



**NFA® 70E Hazard/Risk Chart**

Risk Category	Clothing Description (Optical number of clothing layers is shown in parentheses)	Required Arc Rating A <sub>1</sub> or A <sub>2</sub> (cal/cm²)
0	Non-melting, flammable materials (1)	N/A
1	FR shirt and FR pants or FR coveralls (1)	4
2	Cotton underwear plus FR shirt and FR pants (1 or 2)	8
3	Cotton underwear plus FR shirt and FR pants plus FR coveralls, or cotton underwear plus two FR coveralls (2 or 3)	25
	Cotton underwear plus FR shirt and FR pants plus multi-layer flack suit (3 or more)	

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# Rethink Risk Perception: Value Protection or Value Creation?

**Risk** = the potential that a chosen action or activity (including the choice of inaction) will lead to a loss (an undesirable outcome).

Wikipedia

**Risk** = an uncertain future outcome that can either improve or worsen our position.

RIMS



# DePaul Strategic Risk Management Lab Findings: The Six Challenges for Risk Management 2012

1. Risk management is not integrated with strategy and strategy execution.
2. Risk assessments are focused on the wrong risks; often not focused on the most important strategic risks (Pareto “80/20 rule”).
3. Risk management is not executed as a continual and repeatable process.
4. Risk management “silos” create barriers to developing effective risk management.
5. Risk management is not viewed as value-added (branding). ERM is often under-resourced and under-networked in the organization.
6. Differing perceptions of the importance of different risks within different parts of the organization.

***“Strategic risk management is not a core competency.”***

Source: Dr. Mark L. Frigo, PhD, CPA, CMA [www.commerce.depaul.edu/sev](http://www.commerce.depaul.edu/sev)

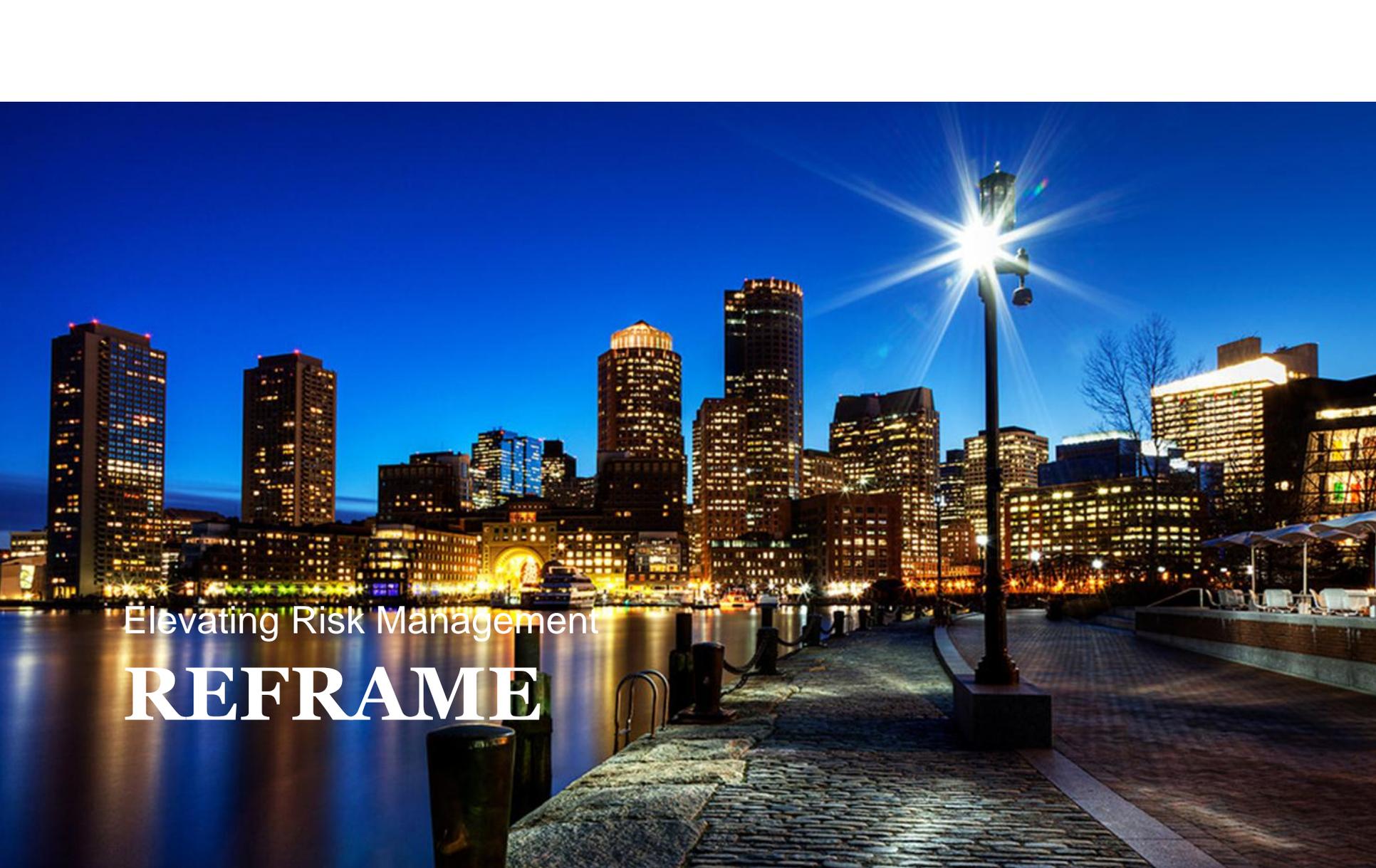
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# Rethink: Risk Management's Role in Strategy Planning and Execution



Source: DELIVERING STRATEGIC VALUE THROUGH RISK MANAGEMENT  
RIMS/Marsh Excellence 10 Report, 2013. All rights reserved.

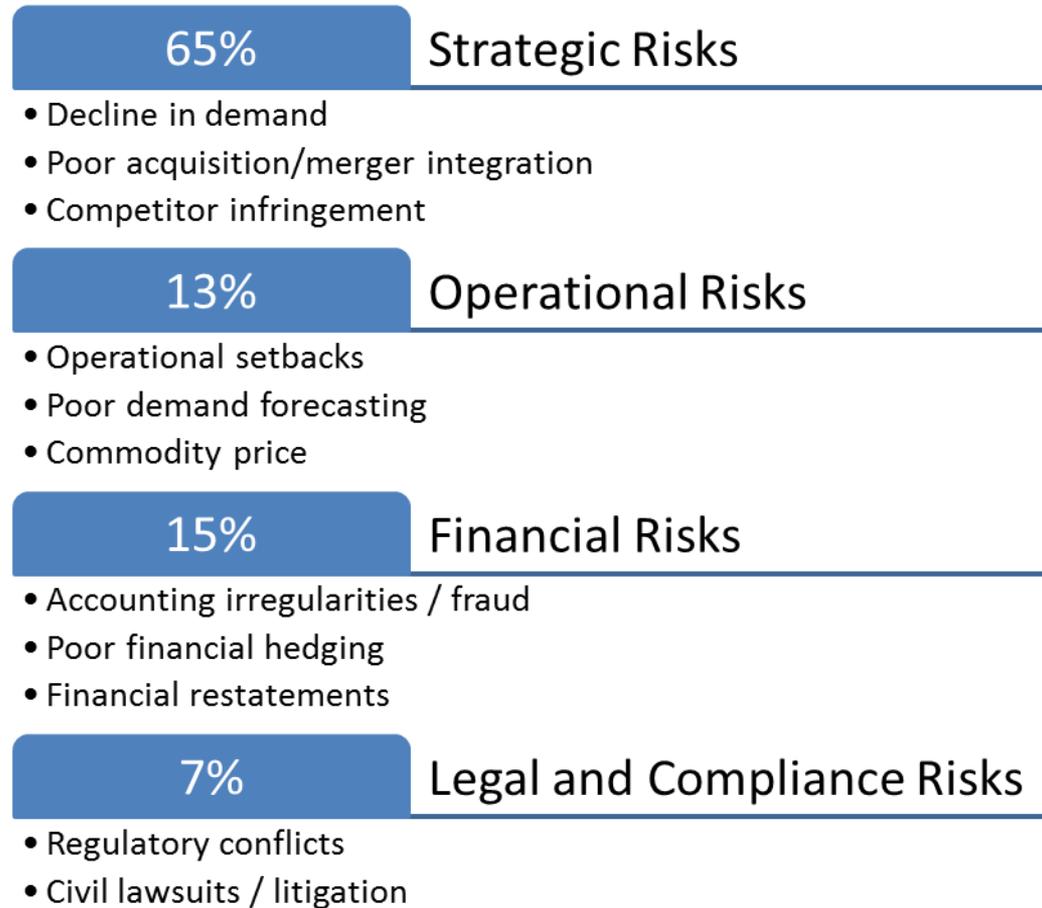
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**REFRAME**

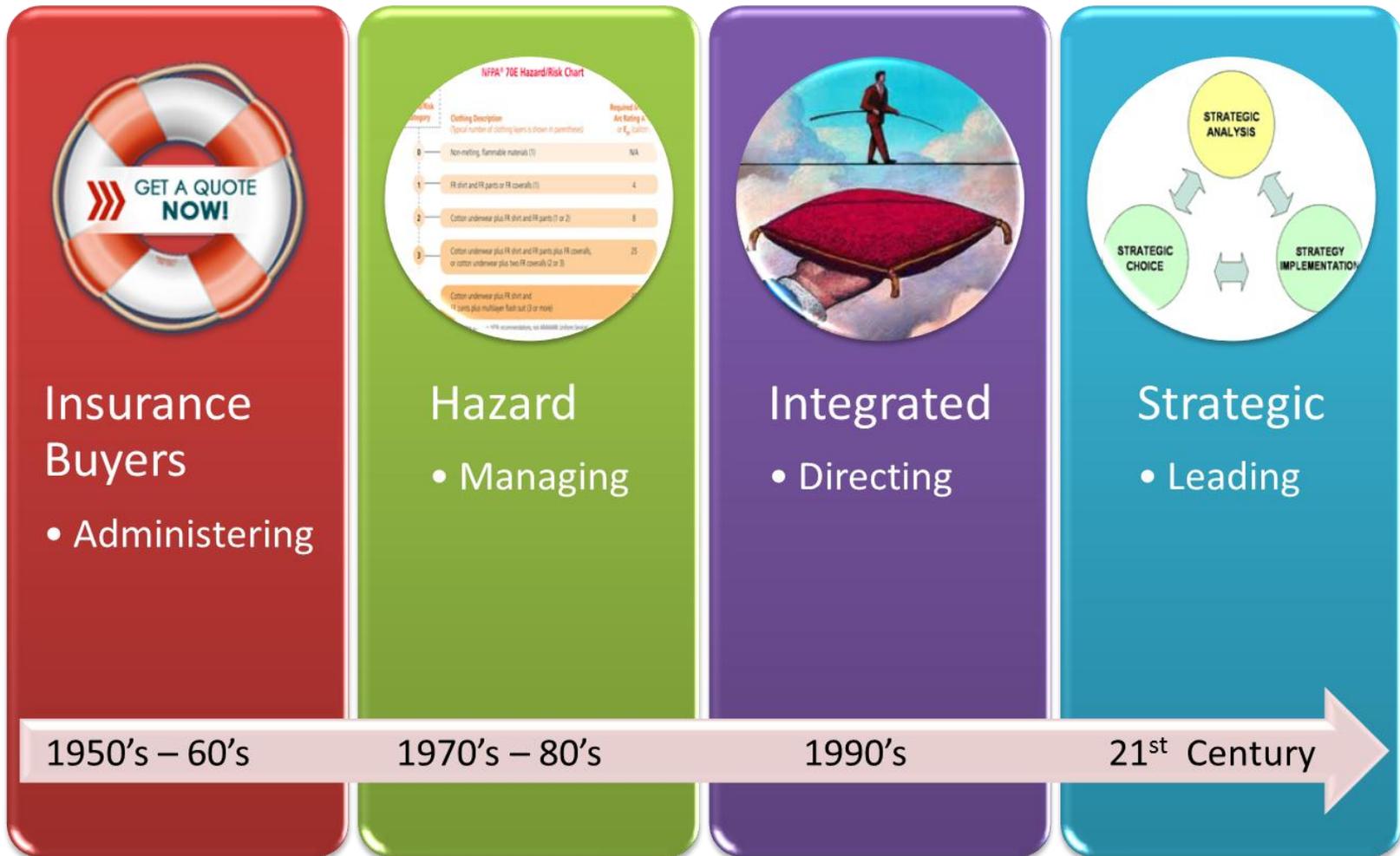
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# Reframe: Why Focus on Strategic Risks?



Types of risks resulting in share price declines greater than 30%

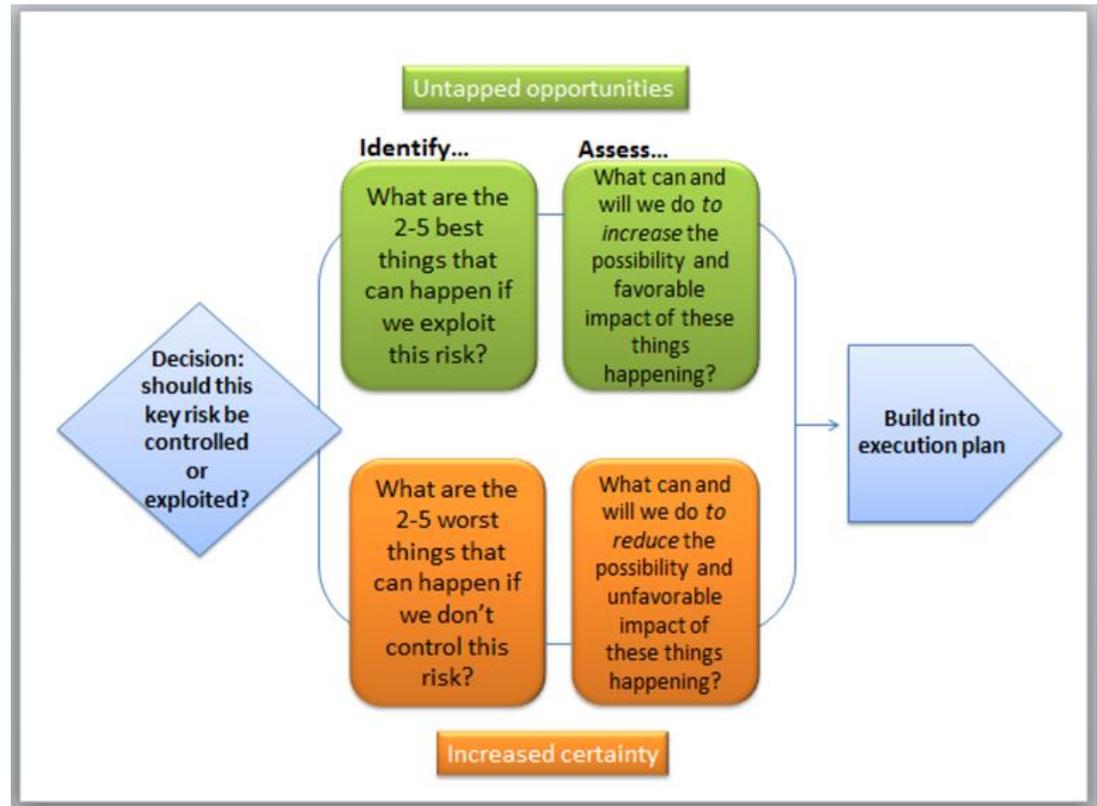
# Reframe: for Strategy



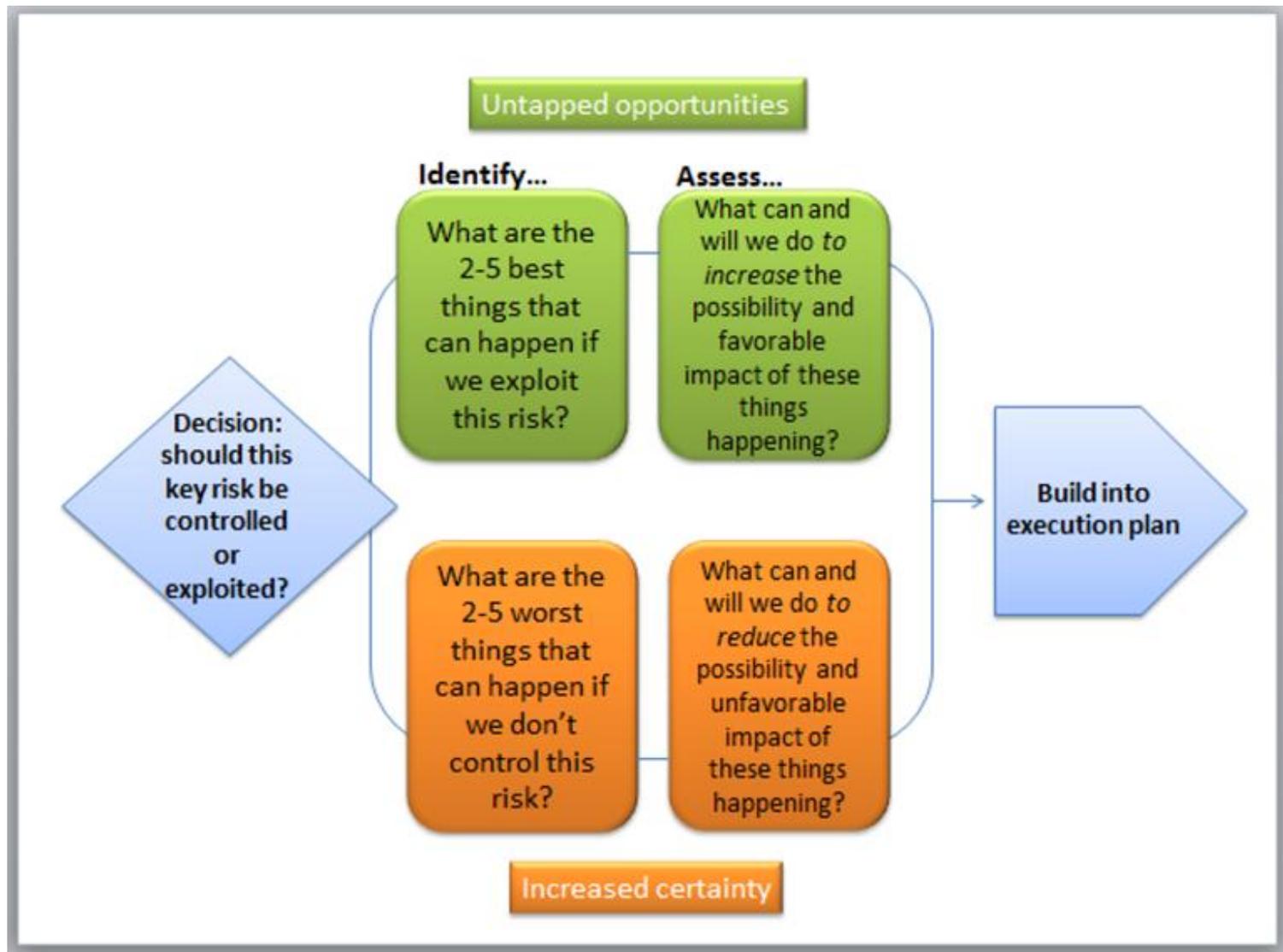
Source: RIMS Workshop - Risk Management Techniques: *Gaining the Risk Advantage*, 2013. All rights reserved.

# Reframe: Play Offense and Defense

**Strategic risk management** (“SRM”) is a business *discipline* that drives deliberation and action regarding *uncertainties* and *untapped opportunities* that affect an organization’s strategy and strategy execution.



Source: RIMS Strategic Risk Management Implementation Guide. All rights reserved.



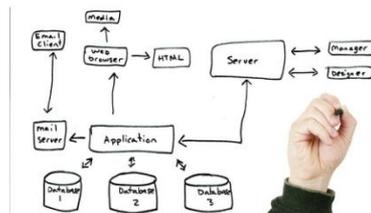
Source: RIMS Strategic Risk Management Implementation Guide. All rights reserved.

# Reframe: Board's View of Primary Roles

Shape the risk principles and policies of the company, track the capital risk capacity of the company, define who is responsible for managing the specific risks within the organization, and provide a framework for judging the effectiveness of **risk-taking**

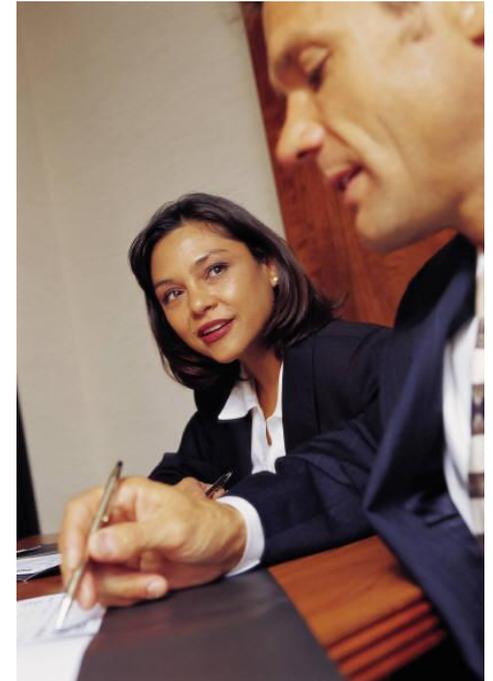
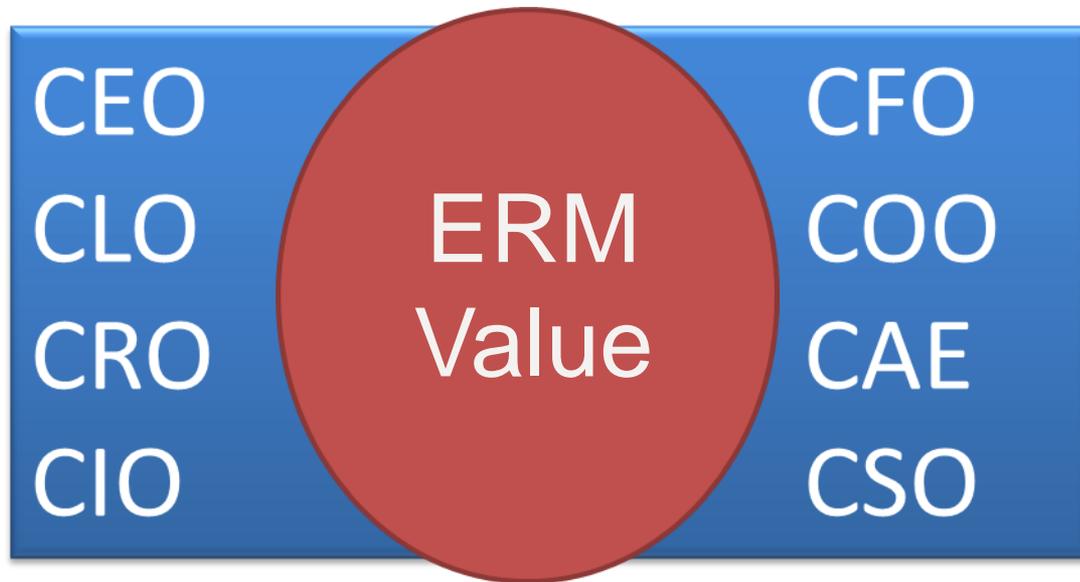
Make sure that there is a risk management system in place in each business that includes effective risk-control mechanisms as well as information systems that flow up to senior management

What else?



Quote Sources: "Point Of View: A Special Issue Focusing On Today's Board & CEO Agenda" 2010 spencerstuart.com

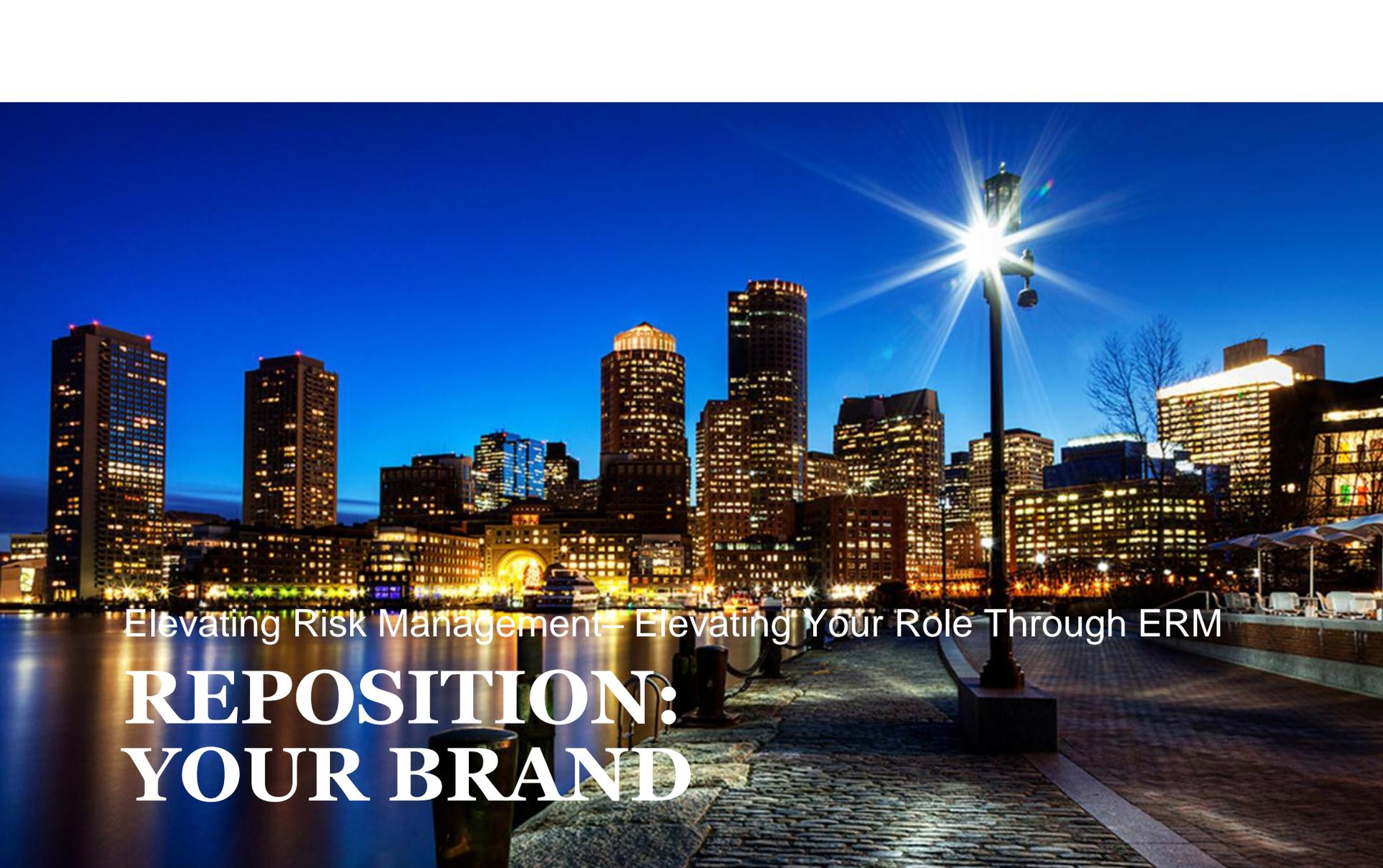
# Reframe: What Else?



# Reframe: What Else Indeed?

*HOW WILL WE KNOW THAT WE ARE  
DELIVERING VALUE RELEVANT TO THE  
ORGANIZATION FOR OUR STAKEHOLDERS?*

**Stakeholder:** Any individual or organization that is directly or indirectly involved with or affected by an organization's decisions and activities.



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# REPOSITION: YOUR BRAND

# Reposition: Personal Branding

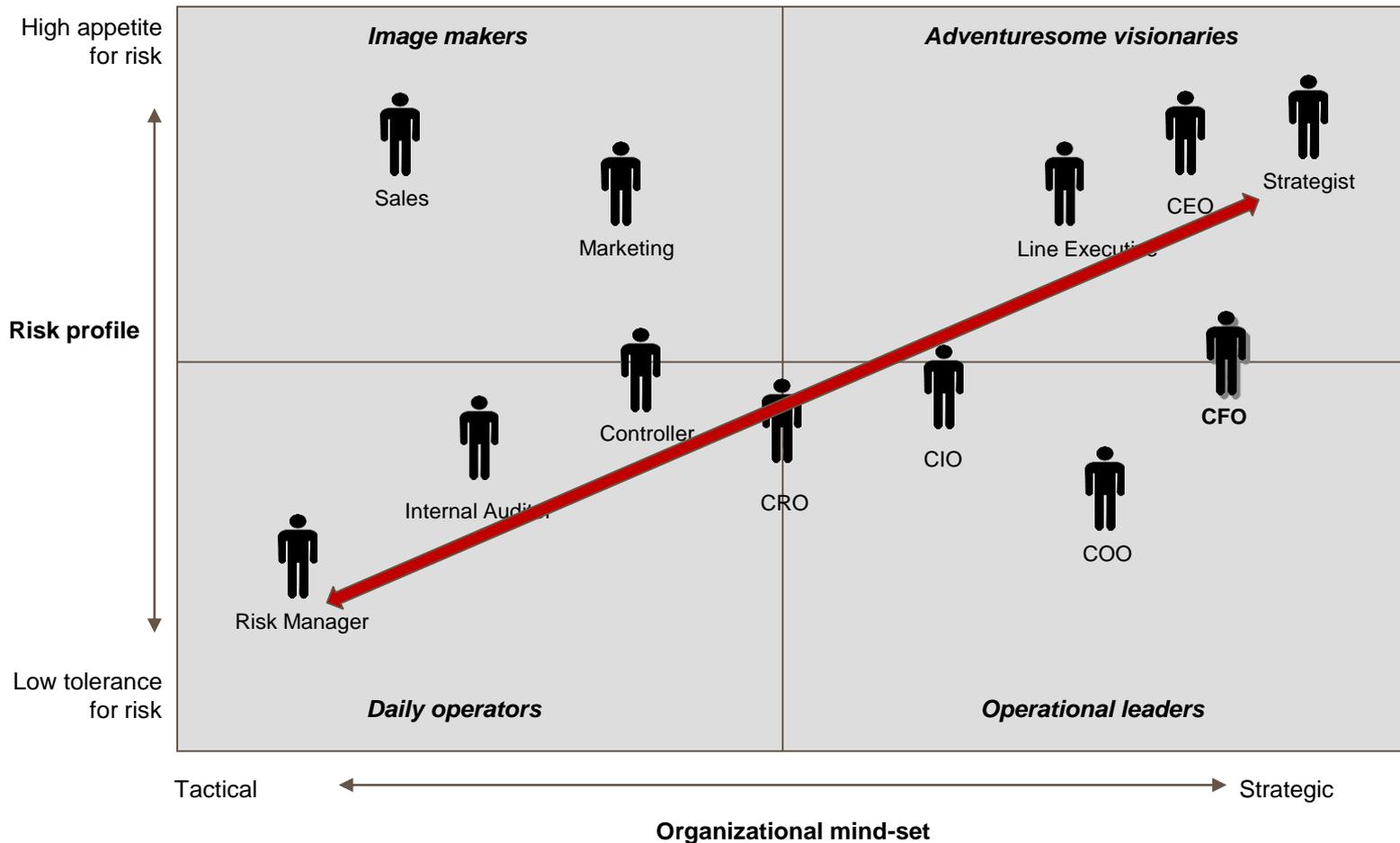
*What are you  
known for?*

*"I know it all  
... I just can't  
remember it  
all at once."*



*"I know it all . . . I just can't remember it all at once."*

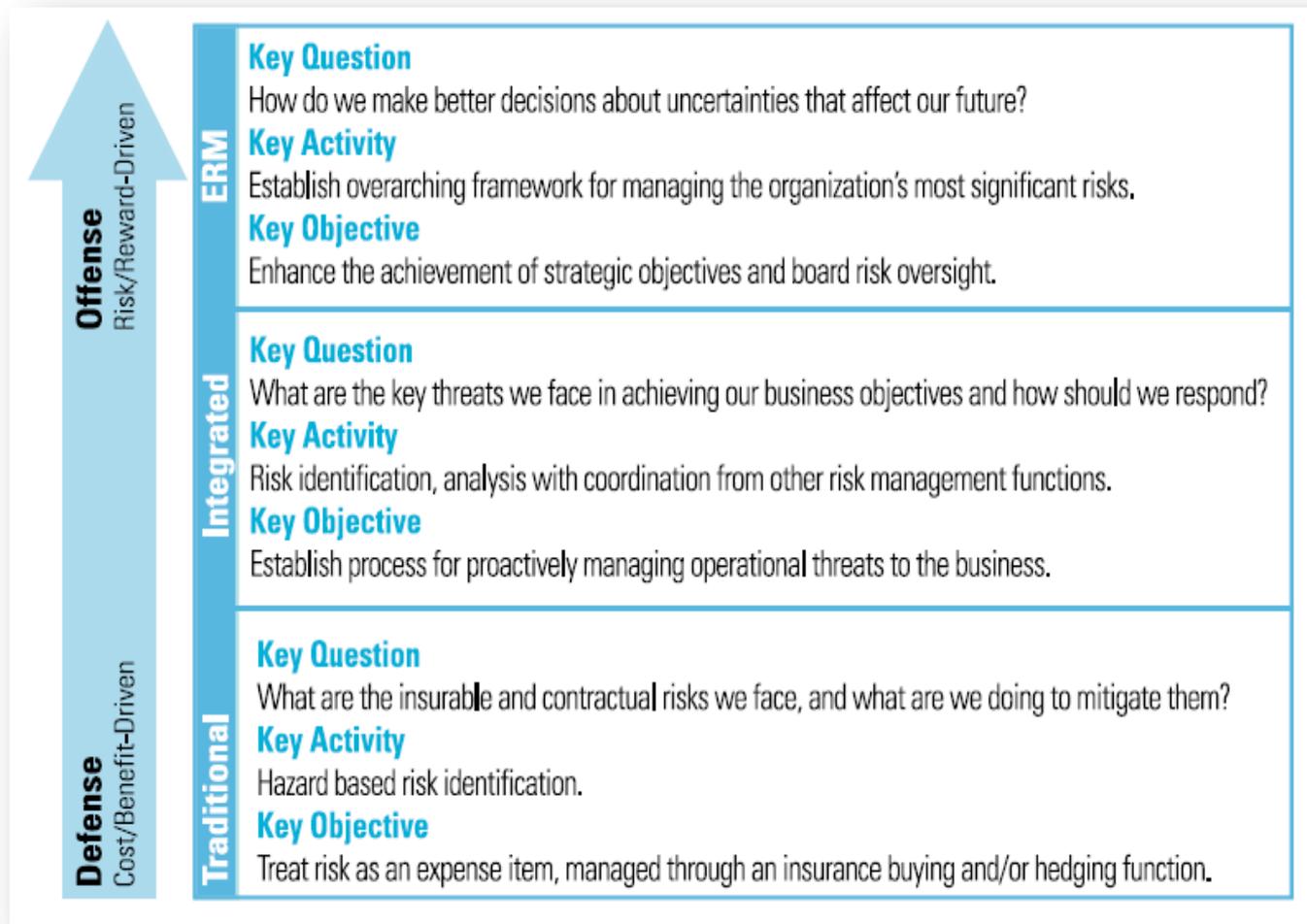
# Reposition: *Modifying Your Brand*



Source: IBM Global Business Services, The Global CFO Study 2008

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# Reposition: The Evolving Role of the Risk Professional



Source: RIMS Executive Report: *The Evolving Role of the Risk Professional 2012*

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# Reposition: The Board's View

*[As board members]* “You’ve got to have both the intuitive and the analytical, and *risk professionals help you hugely on the analytical side.* The business judgment, imagination and life experience of the board members come into play on the intuitive side.”

Source: “*Point Of View: A Special Issue Focusing On Today’s Board & CEO Agenda*” 2010 [spencerstuart.com](http://spencerstuart.com)

# Reposition: Greater Board Expectations



“... risk management has to be involved in forward planning ... have a role in strategic planning sessions ... [and] for a particular product or service...”

**From RIMS “Voice at the Top” Webinar  
March 14, 2013**

**Special Guest: Douglas W. Leatherdale**  
Retired Chairman and Chief Executive  
Officer, The St. Paul Companies, Inc.

**Board Member:**  
United Health Group (current)  
Xcel Energy  
Numerous societies and  
philanthropic organizations

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# Reposition: A New Breed?

## The Traditionalists

### 'TECHNICIANS'

*Reactive Introverts – over 60%*

- Analytical
- Logical
- Planners
- Naturally cautious
- Attention to detail
- Sticks to facts/follows rules
- Ignores emotionally charged arguments
- Serious and responsible
- Suspicious of others
- Brief and to-the-point

## The New Breed

### 'DRIVERS'

*Proactive Introverts – less than 10%*

- Very pragmatic
- Produces results ahead of expectations
- Focused and determined
- Prefers results to facts
- Demanding, not always reasonable
- Impatient, no time for lots of detail
- The end justifies the means

### 'EVANGELISTS'

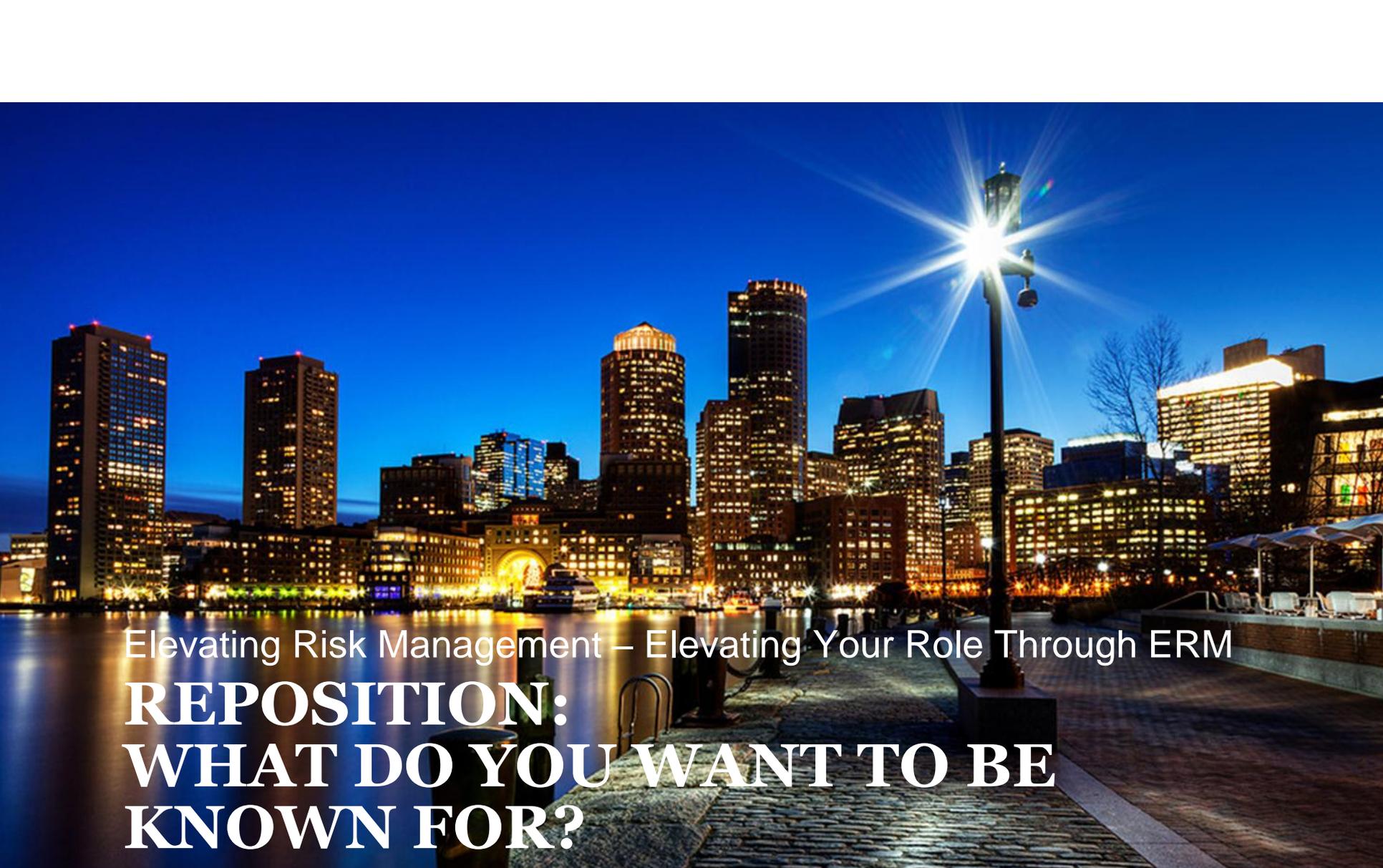
*Proactive Extroverts – over 30%*

- Inspiring leaders
- Very optimistic
- Diplomatic and persuasive
- Verbose and prone to exaggerate
- Over familiar
- Can appear to lack gravitas

Are you part of the new breed of risk professional?

“...the profile of risk managers is evolving to meet changing business needs”

Source: “What makes a great risk manager?” 2011  
**Active Risk** [activerisk.com/risk manager](http://activerisk.com/risk-manager)



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# REPOSITION: WHAT DO YOU WANT TO BE KNOWN FOR?

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# Reposition: What Do You Want to be Known For?

*You are in charge of your brand.*

Tom Peters, 1997



# Reposition: *Visionary*

- Leader
- Teacher
- Innovator
- Far-sighted
- Creative
- Evolving

Strategist



Are you seen  
as a “far-  
sighted  
imagineer”?

Source: RIMS Executive Report: *The Evolving Role of the Risk Professional 2012*

# Reposition: Exceptional Expert

- Framework
- Standards
- Project plan
- Principles
- Process
- Governance

## Leader



Do you know  
something that  
your  
colleagues do  
not know?

Source: RIMS Executive Report: *The Evolving Role of the Risk Professional 2012*

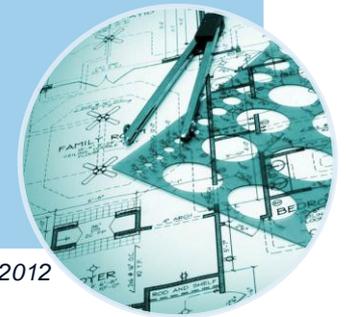
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# Reposition: Exceptional Expert

Is that  
something of  
value to the  
organization's  
success?

- Tools
- Training
- Communication
- Methodology
- Measurement
- Appetite Framework
- Transfer mechanisms

## Architect



Source: RIMS Executive Report: *The Evolving Role of the Risk Professional 2012*

# Reposition: Business Person

Are you  
obsessed with  
pragmatic  
outcomes?

- Internal business consultant
- Collaboration
- Key metrics/indicators
- Risk as explicit factor in control testing
- Reporting

## Strategic Advisor



Source: RIMS Executive Report: *The Evolving Role of the Risk Professional 2012*

# Reposition: Team Player



Risk Professional  
as Perspective  
Collector

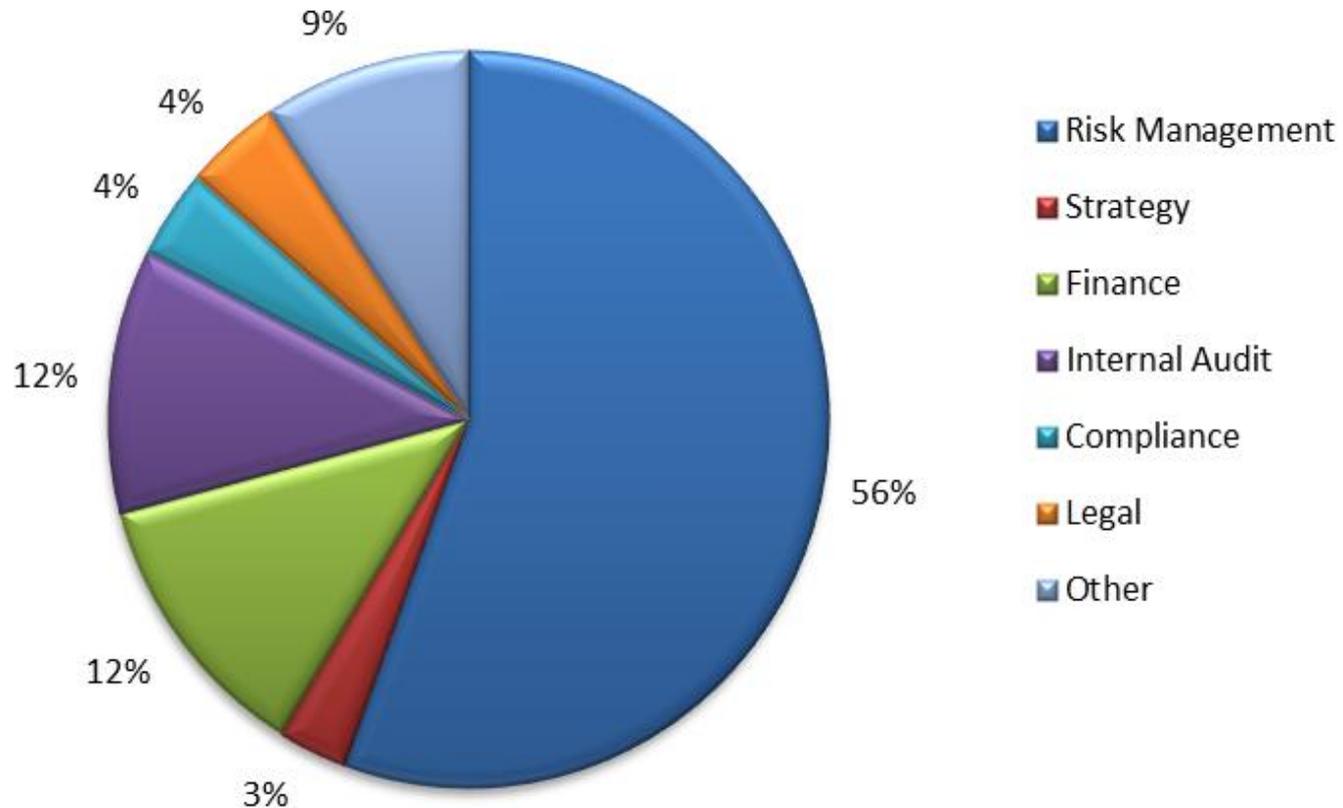
Risk Professional  
as Information  
Consolidator

Are you seen  
as a team  
player?

***Whoever undertakes to set himself up as a judge of Truth and Knowledge is shipwrecked by the laughter of the gods.***

Albert Einstein

# Reposition: Who is Primarily Responsible for ERM?



Source: RIMS 2013 Benchmark Survey  
Produced by Advisen

# Reposition: Collaborative Alliances



Source: RIMS 2013 Benchmark Survey  
Produced by Advisen



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# REPOSITION: COMPETENCIES AND COMPENSATION

# Reposition: Competencies and Compensation

What Differentiates a Great Risk Professional?



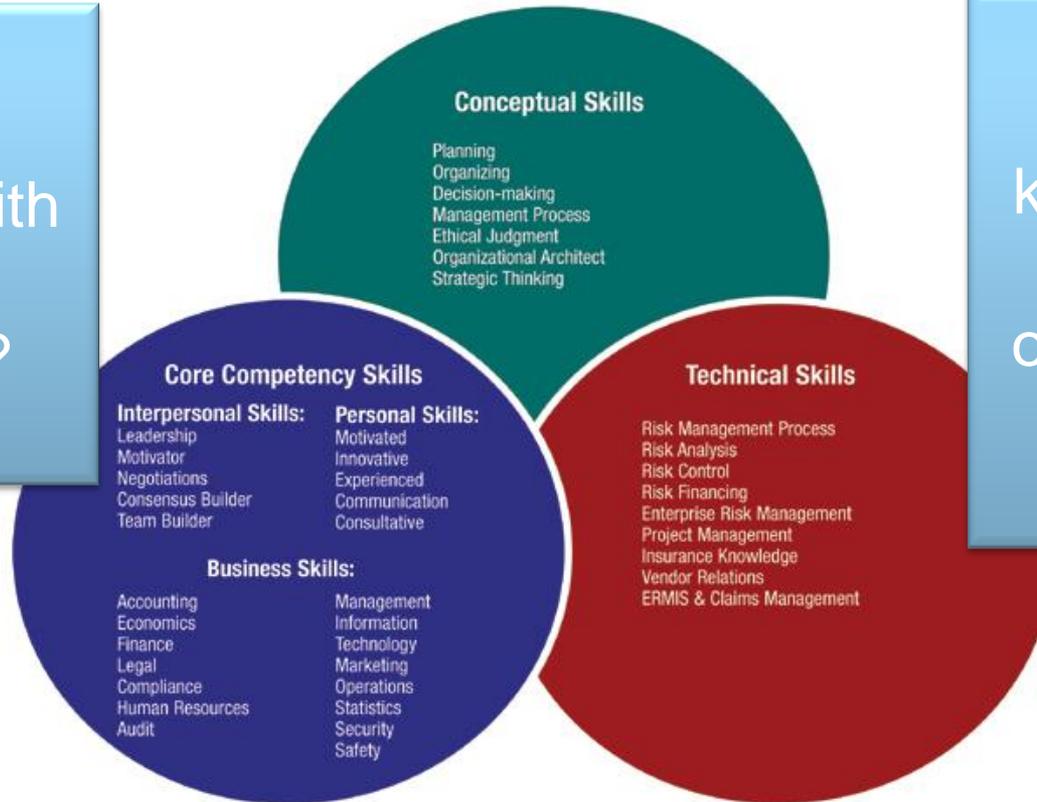
How Does That Translate Into Compensation?



# Reposition: Required Skills and Core Competencies

Are you  
obsessed with  
pragmatic  
outcomes?

Is what you  
know of value  
to the  
organization's  
success?



Risk professionals of all levels must know their own industry dynamics, its economics, operations, staff, customers, competitors and other business partners and stakeholders.

# Reposition: C-Suite's Competency Expectations



# Reposition: Translating Competencies into Compensation

## Job Details for Top Risk Management Executive

### Job Description

Oversees all aspects of an organization's risk management function. Responsible for planning and directing business analysis, risk modeling, and loss prevention programs. Requires a bachelor's degree with at least 15 years of experience in the field. Familiar with a variety of the field's concepts, practices, and procedures. Relies on extensive experience and judgment to plan and accomplish goals. Performs a variety of tasks. Leads and directs the work of others. A wide degree of creativity and latitude is expected. Typically reports to top management.

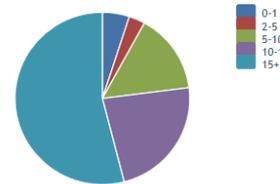


[Watch Video Profiles](#)

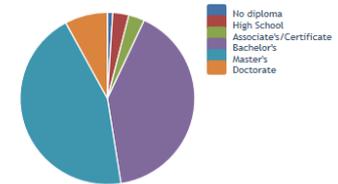
**Alternate job titles:** Chief Risk Management Officer, Chief Risk Management Executive, Top Risk Management Executive, VP, Risk Management, Vice President of Risk Management

### Job Statistics

#### Years of Experience



#### Education Level



### Core Compensation Median % of Total

**Base Salary** \$194,938 59.3%

**Bonuses** \$58,138 17.7%

#### Value of Benefits

**Social Security** \$10,719 3.3%

**401K/403B** \$9,500 2.9%

**Disability** \$1,772 0.5%

**Healthcare** \$6,507 2.0%

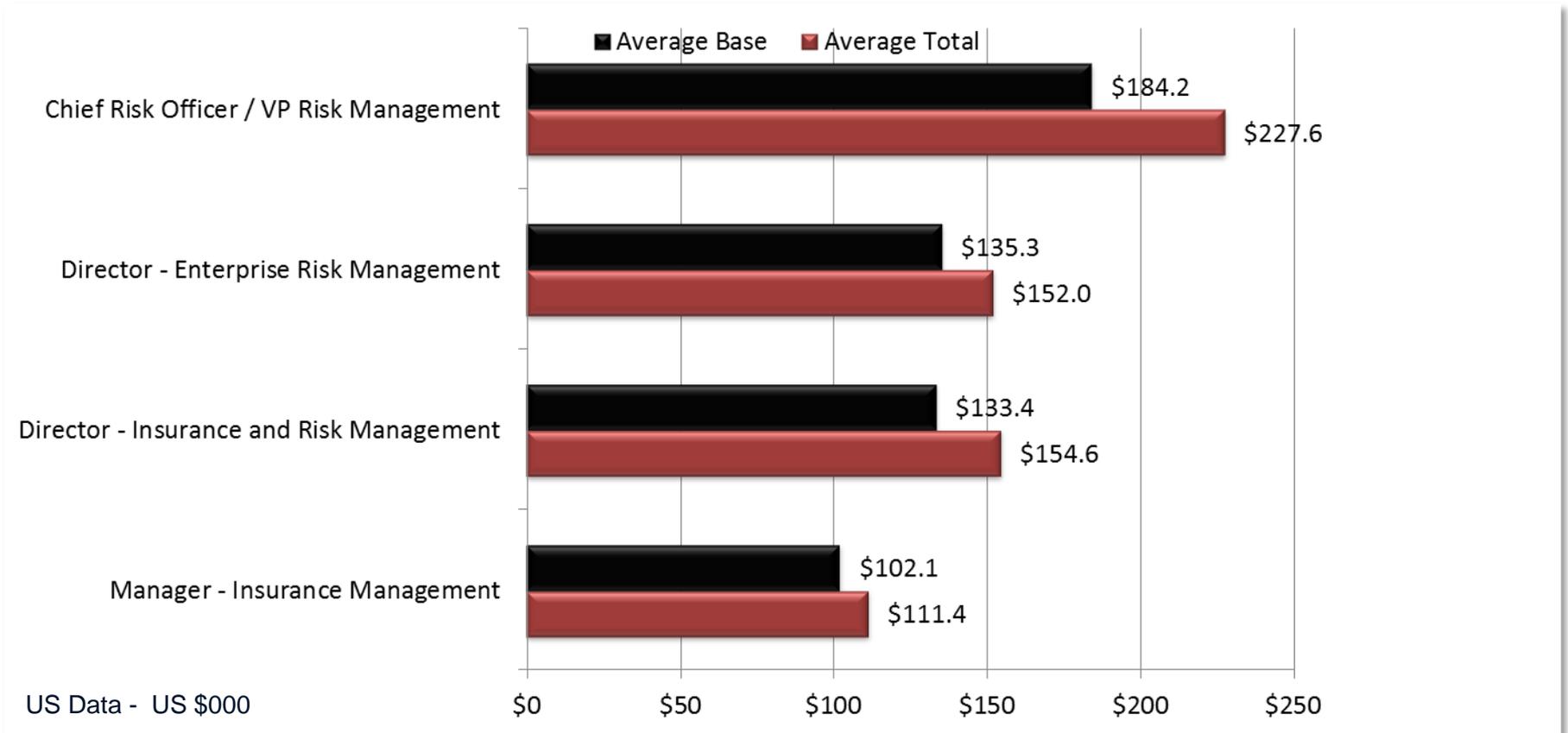
**Pension** \$16,000 4.9%

**Time Off** \$31,148 9.5%

**Total Compensation** \$328,721 100%



# Reposition: For Higher Compensation



Source: **RIMS 2013 RISK MANAGEMENT COMPENSATION SURVEY**

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# Reposition: *Is Your Position Evolving?*

- Risk management is evolving from “a second line of defense only” to playing “offense *and* defense”.
- The board expects information - not just data - focused on strategic risks that can either improve or worsen the organization’s position.
- The new breed of risk professional must act as risk leader, capability architect and strategic advisor.
- Forging “strategic alliances” throughout the organization helps in avoiding shipwrecks.
- Broader competencies (i.e., an evolving skill set) translate into higher compensation levels.

# Reposition: What Do You Want to be Known For?

*You are in charge of your brand.*

Tom Peters, 1997



# Reposition: *Your* Mission

- What are you passionate about?
- What is your personal definition of success?
- What differentiates you from your colleagues?
- What would your customers say is your greatest strength / personal trait?

Create a 15 word mission statement that answers:

What do I do that adds remarkable, measurable, distinctive and distinguished value?



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# QUESTIONS