

Future of the risk management professional



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Letter from the CEO



It has been a year that has placed risk front and centre for most organisations with COVID-19 leaving many asking: Were we prepared for that risk, did we respond well — and how can we plan for future upheaval, whatever that may be?

In Governance Institute's major thought leadership project for the year we have taken a magnifying glass to the risk management profession, and asked the question 'where to next?'

This report provides a roadmap for the risk management profession as they traverse an uncertain, fluid landscape.

It's a snapshot of a profession that was evolving even before the pandemic took hold. And it uncovers a profession that is set to continue to change rapidly by 2025 — and again by 2030 — becoming more complex, strategic (with influencing and communication skills of increasing importance), less siloed — and increasingly essential to an organisation.

Interestingly, 81 per cent of our survey respondents identified creativity (thinking outside the box and being innovative) as a key skill for future risk managers.

The report looks at the areas likely to be driving changes to risk management in 2025 (business

continuity and resilience, regulatory change and compliance, and cybersecurity) — and how these impacts will evolve by 2030 (with climate change and artificial intelligence becoming increasingly prominent).

The report also contains some important reminders for management and boards about ensuring the risk function is prioritised and well resourced (almost a third of survey respondents said their risk management functions are not very well resourced), with recent corporate crises illustrating just how dramatically companies can unravel when this is not the case.

And as the report indicates, we are likely to see the voice of risk increasingly raised to the boardroom table — something to be welcomed.

Thank you to everyone who has been part of this important project, and also a special thank you to this year's sponsors: PKF, Dataminr and Holding Redlich.

Best regards
Megan Motto
CEO, Governance Institute of Australia



Research process and participants

This thought leadership from Governance Institute of Australia looks at the way the risk profession is evolving, the factors that are driving this evolution and how risk professionals can equip themselves to face the challenges that lie ahead. Three main areas of research were carried out to inform the final report: a roundtable discussion, interviews with industry experts and a survey of almost 350 risk management and governance professionals, non-executive directors, CEOs and other C-suite executives across a broad range of industries.

Roundtable

On 7 September 2020, Governance Institute of Australia held a Risk Leaders Roundtable titled, 'The Future of the Risk Management Professional.' A group of directors and senior governance and risk management professionals discussed issues such as: where the profession is headed over the next five to ten years, the drivers of change in the profession, the skills and attributes that risk managers will need, and the types of education and training that might be useful.

Roundtable attendees

Ms Gail Bergmann FGIA, Head of Risk, Viva Energy

Mrs Karesse Biggs FGIA FCG, General Manager Risk & Compliance, Energy QLD

Mr Garth Callender, Chairman & Non-executive Director, Bravery Trust & Sydney Harbour Federation Trust

Mr Andrew Cooke FGIA, General Manager Risk & Compliance, UnitingCare QLD

Mr Scott Drummond FGIA, Head of Finance Risk & Governance, Mates4Mates

Mr Glyn Geen FGIA FCG, Governance, Risk & Compliance Manager, Fremantle Ports

Ms Claire Hamilton FGIA FCG, Chief Risk Officer, AusPost

Mr Greg Hanigan FGIA, Chief Risk Officer, Tasplan

Mr Joshua Hayward, Deputy Head of Internal Audit, EnergyAustralia

Ms Lucienne Layton FGIA, Chief Risk Officer, Crestone Wealth Management (UBS)

Mr Kerry McGoldrick FGIA FCG, Partner, ShineWing

Ms Catherine Maxwell FGIA FCG, General Manager Policy & Advocacy, Governance Institute of Australia

Dr Jolene Morse FGIA, Head of Risk, Bendigo Bank

Ms Megan Motto FGIA, Chief Executive, Governance Institute of Australia

Mr Darryl Newton, Non-executive Director, ING

Ms Lyn Nicholson FGIA FCG, General Counsel, Holding Redlich

Mrs Ilsa Shaw GIA(Affiliated), Head of Enterprise Sales, Dataminr

Mr Kenneth Weldin FGIA FCG, Partner, PKF

Interviews with industry experts

Over the course of the project three industry experts were interviewed to inform the report and expand on the themes that it covers.

Interviewees

Mr Steve Farrall GIA(Affiliated), Risk Management Consultant (Health)

Mr David Ingram FGIA FCG, Chief Risk Officer and Company Secretary, Bank of China (Australia)

Ms Lucienne Layton FGIA, Chief Risk Officer, Crestone Wealth Management (UBS)

Survey

During October 2020, Governance Institute of Australia conducted an online survey of risk professionals. It received 348 responses. It followed on from Governance Institute's [Risk Management Survey 2020](#) completed earlier in 2020 but focused on the future of the risk management profession rather than the specific risks it manages.

Survey respondents

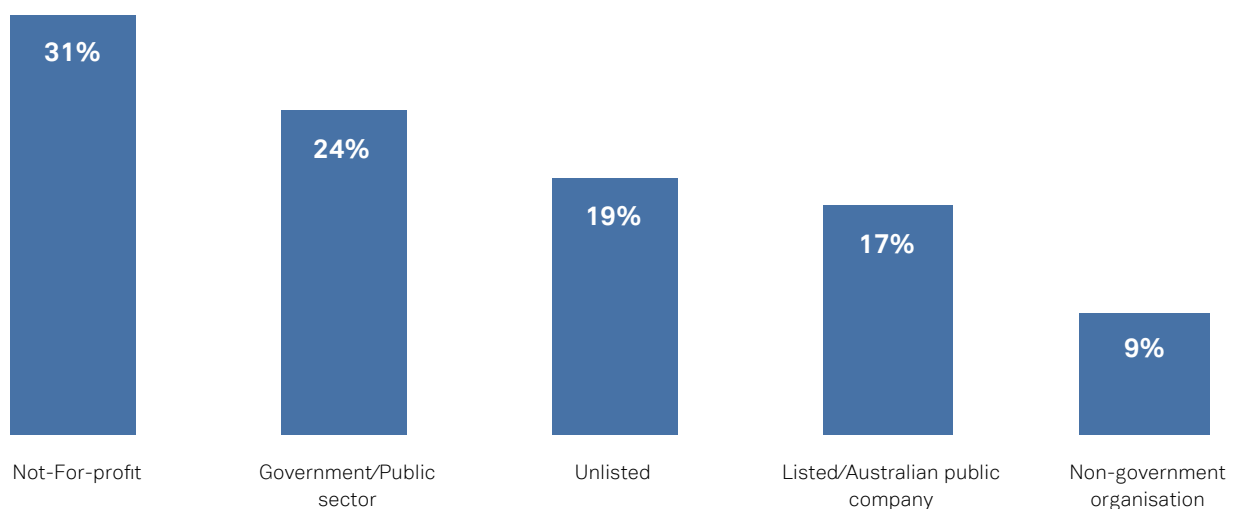
Thirty-three per cent of respondents are either a senior risk management professional or a governance professional and 19 per cent are either the chief executive officer or hold a C-suite executive position. A further 13 per cent of respondents are non-executive directors.

Stage of career



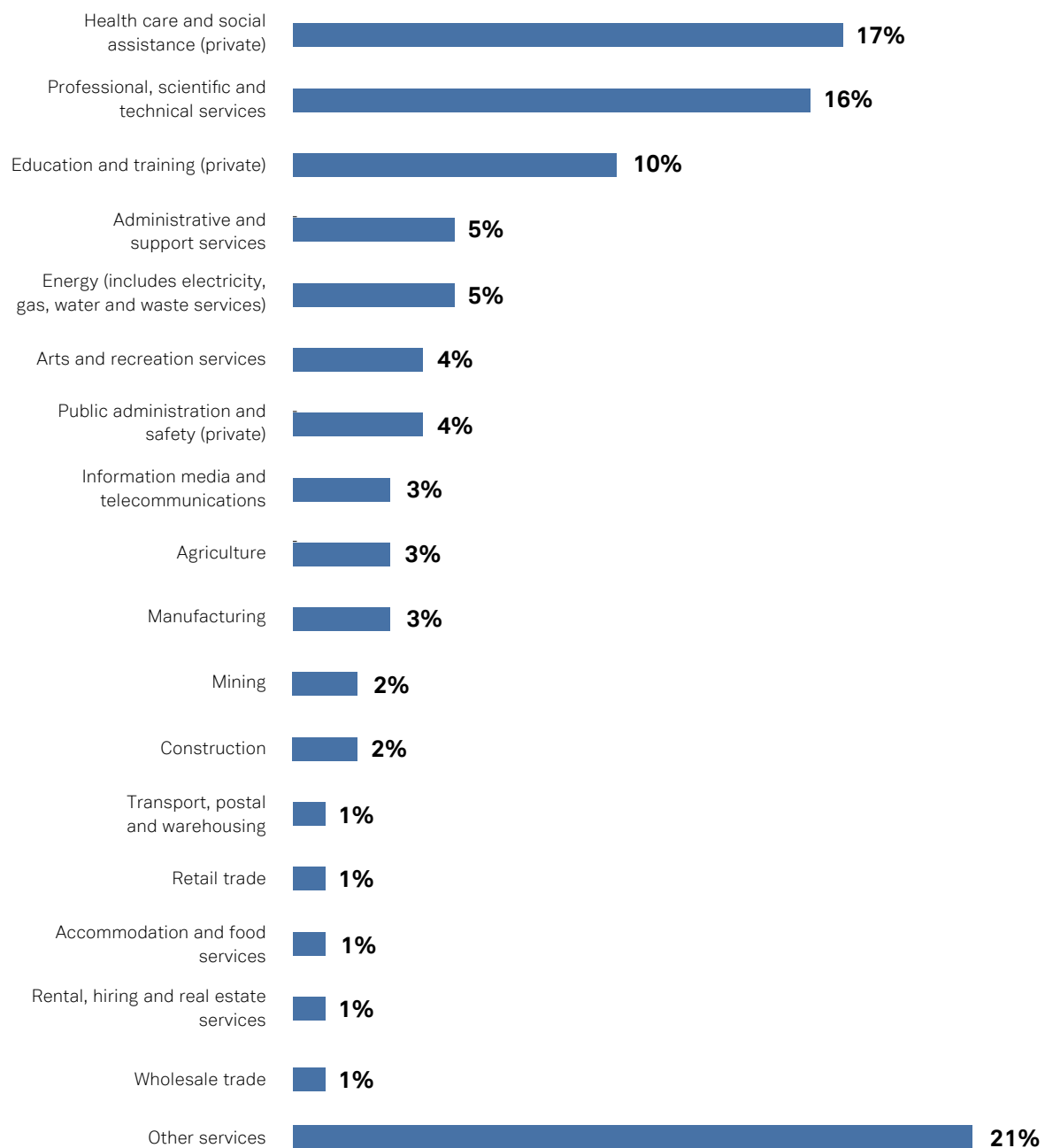
Survey respondents represent a range of sectors. Thirty-one per cent of respondents come from the not-for-profit sector and 24 per cent work in government or the public sector. Thirty-six per cent of respondents are from commercial organisations, of which 17 per cent are from listed companies.

What type of sector do you work for?



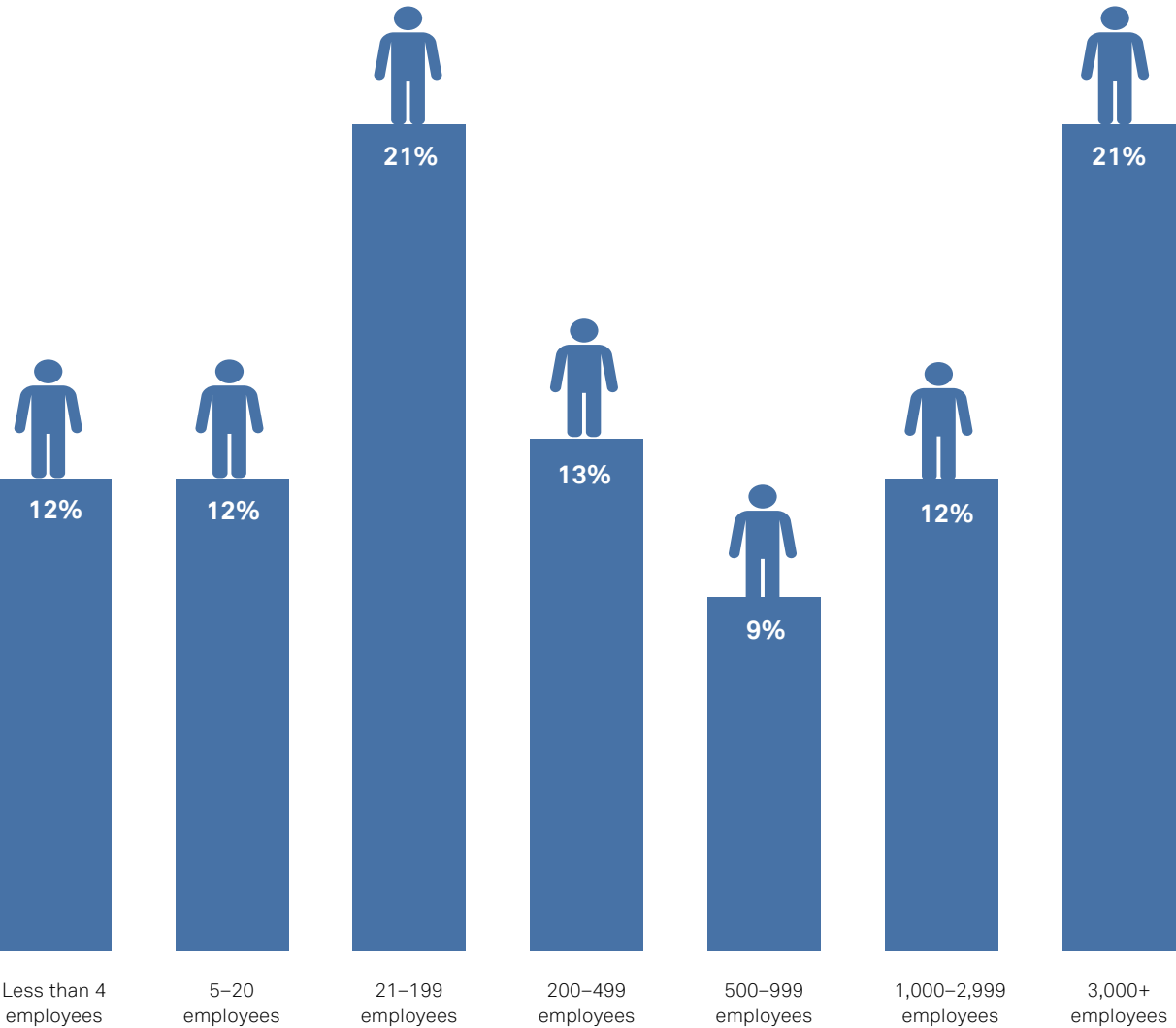
Respondents represent a broad range of industries. Seventeen per cent are in private healthcare and social assistance, 16 per cent are from professional services and ten per cent are from private education and training.

Industry sector



A broad range of organisation size is also represented. Twenty-four per cent of respondents are based in an organisation of 20 or less employees; 21 per cent come from organisations with 3,000 or more employees

Size of organisation



Business continuity and resilience, regulatory change and compliance, and cybersecurity are drivers of change

Survey respondents said that business continuity and resilience will be the biggest driver of change in 2025 and climate change and artificial intelligence (AI) will drive changes to risk management in 2030.

Eighty-four per cent of survey respondents believe that AI and machine learning will take over routine tasks and 74 per cent believe this will lead to job losses in the more administrative areas of the profession. Despite this, 72 per cent of respondents feel these effects will make the risk profession more interesting and high level.

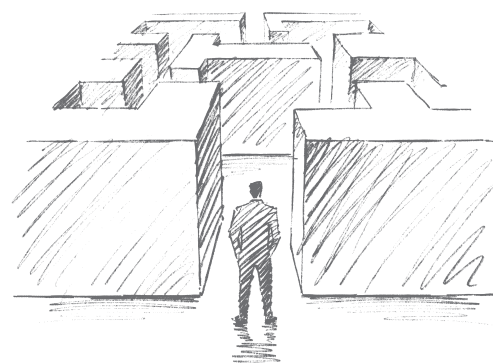
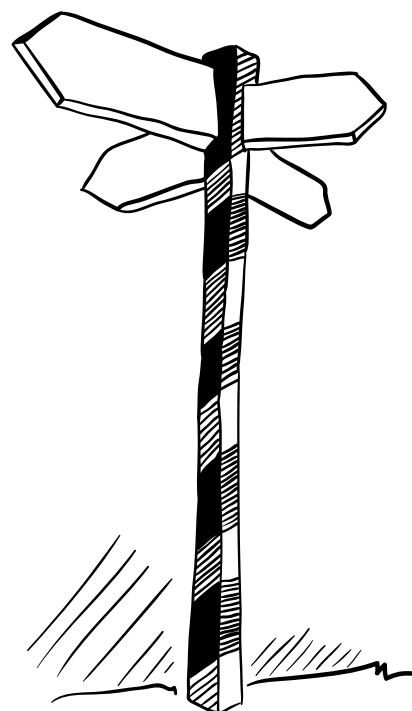
Climate change will be the likely source of future shocks akin to COVID-19, which will test organisations' post-pandemic business continuity plans (BCP). Risk professionals should help their boards to apply lessons learnt from COVID-19 to the BCP so that the organisation is in a stronger position to cope with the inevitable challenges that climate change will bring.

Risk professionals are not well prepared to meet future challenges

Only 31 per cent of survey respondents feel they are well or very well prepared to meet future challenges in risk management, and 17 per cent feel they are not prepared. The picture is similar in relation to the next generation of risk professionals: only 30 per cent of respondents think that future generations of risk professionals will be well prepared to face new challenges, and 25 per cent think they will not be well prepared.

With this in mind, it is a valuable exercise for risk professionals to consider the skills and attributes they will need in the future, so that they can take action to help them feel better prepared to meet the challenges they will face.

Is it time to formalise risk training and make risk management a career path in its own right? An overwhelming 99 per cent of survey respondents believe that formal education will help risk managers to be effective in their role.



Time to rebrand: how the risk profession is changing

The current landscape

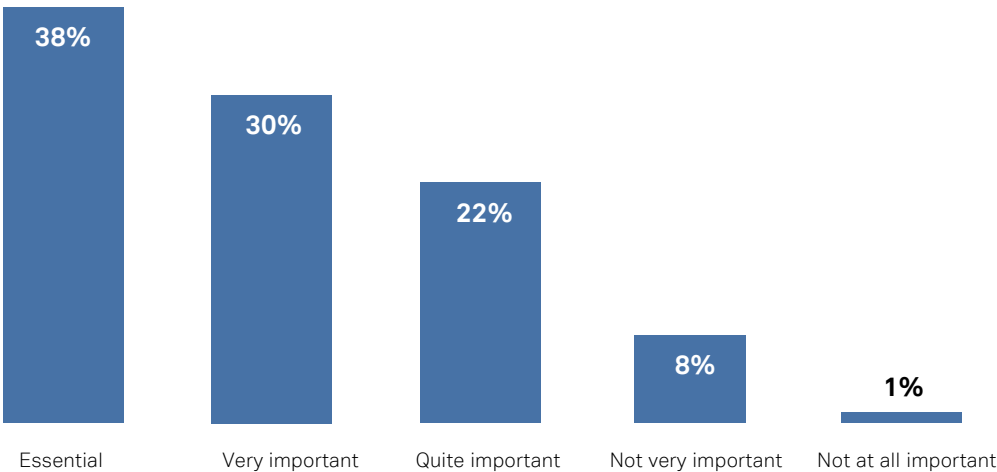
Responses to the survey component of this report provide a picture of how the risk profession currently looks.

The majority (72 per cent) of respondents said their organisation has a dedicated risk management function and a further 11 per cent are eager to introduce one. However, one in six, or 17 per cent of respondents, said they don't have a risk management function and have no

plans to introduce one. Large organisations are more likely to have a risk management function.

Those organisations that do have a dedicated risk management function are likely to consider it as playing an important role. Thirty-eight per cent of respondents said their risk management function is essential and a further 30 per cent said it is very important. Only nine per cent of respondents with a risk function considered it to be unimportant.

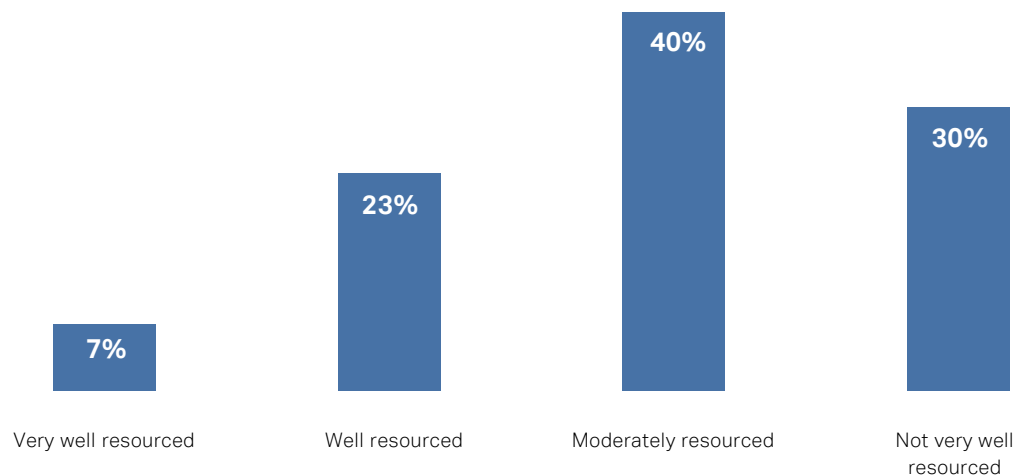
Importance of the risk management function in the organisation



Resourcing is an issue for risk management functions: only 30 per cent of respondents who have a risk management function said they are very well or well resourced. Forty per cent said they are moderately resourced and 30 per cent — almost one in three — said they are not very well resourced. Almost half (47 per cent) of respondents said their risk management team does not have the resources it needs to do its job effectively. This demonstrates a clear gap between the perceived importance of risk and the willingness of organisations to equip their risk teams to manage that risk effectively.

Only one in five of the organisations represented in the survey has a risk specialist in the boardroom. However, 52 per cent say that risk is represented in the C-suite by someone with shared responsibilities. This perhaps reflects the way the role has evolved to date, with many professionals taking on risk alongside their legal, governance or accounting remit, rather than focussing solely on risk. Over one in four respondents (27 per cent) have no risk representation at board level.

How well resourced is the risk management function?



“If risk and compliance people continue to do what they’ve always done, then they will become irrelevant. There is a need for us to really stop and reflect on: what is our role in the organisation we’re with, the industry we work in and the community we live in? What is the role that they need us to be doing and how do we meet these expectations?”

Lucienne Layton FGIA

Chief Risk Officer, Crestone Wealth Management (UBS)

The future risk professional

Risk is moving up the agenda

Risk will become more important over the next five years. Seventy-seven per cent of survey respondents agreed that the risk management function will grow in importance over this time period.

Respondents cited increased and more complicated regulatory and compliance requirements and the impact of COVID-19 as the two main drivers for the growing importance of risk management. One respondent said the pandemic has placed greater emphasis on forward planning and the need to build resilience to mitigate future risks. Another said the unknown nature of the pandemic has 'raised awareness for the "unknown" and staying ahead of the curve.' They noted that, 'with increased awareness comes increased action.'

“To be a trusted adviser the risk professional needs to be able to constantly rebalance the risk appetite and update it for new information. COVID-19 and working from home, and telehealth, are prime examples of many businesses and individuals changing their view.”

Lyn Nicholson FGIA FCG

General Counsel, Holding Redlich

Several respondents highlighted the uncertainty the pandemic has created as influencing the growing importance of risk management. One respondent felt that, because of COVID-19, there has been more ongoing assessment of a greater number of risks than would usually be taken into account in a 'normal year.'

One respondent said that the recent Royal Commission into Misconduct in the Banking,

“The days of treating risk management as an annual ‘set and forget’ were already limited but 2020 must now surely see them gone forever. The voice of risk needs to continually reassess what an organisation is ‘going to do’ and not just ‘what it has done.’ This places the risk management professional of the future at the heart of all key decisions, and with it, the need to be strategically minded, cool in a crisis and ferociously independent.”

Kenneth Weldin FGIA FCG

Partner, PKF

Superannuation and Financial Services Industry (banking royal commission) means that risk management is now seen as essential, especially in financial services.

'To achieve strategy and control costs,' says one respondent, 'risk assessment [needs] to confirm that each opportunity is best value for money, each threat is managed and all risks (opportunities and threats) are within our appetite'.

How should the profession respond?

Risk professionals will need to move beyond the bare bones of data and risk registers and use their critical thinking skills to analyse data effectively and interpret what it means for their organisation. They will need influencing skills to communicate their message to all relevant stakeholders, being objective and forceful where necessary. Risk professionals will need to bring together disparate groups across the organisation behind their risk message. They will also need to communicate that message

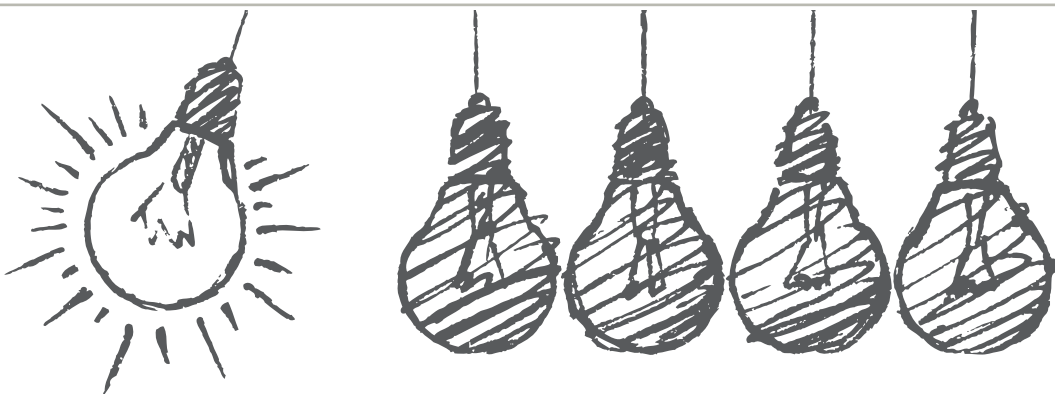
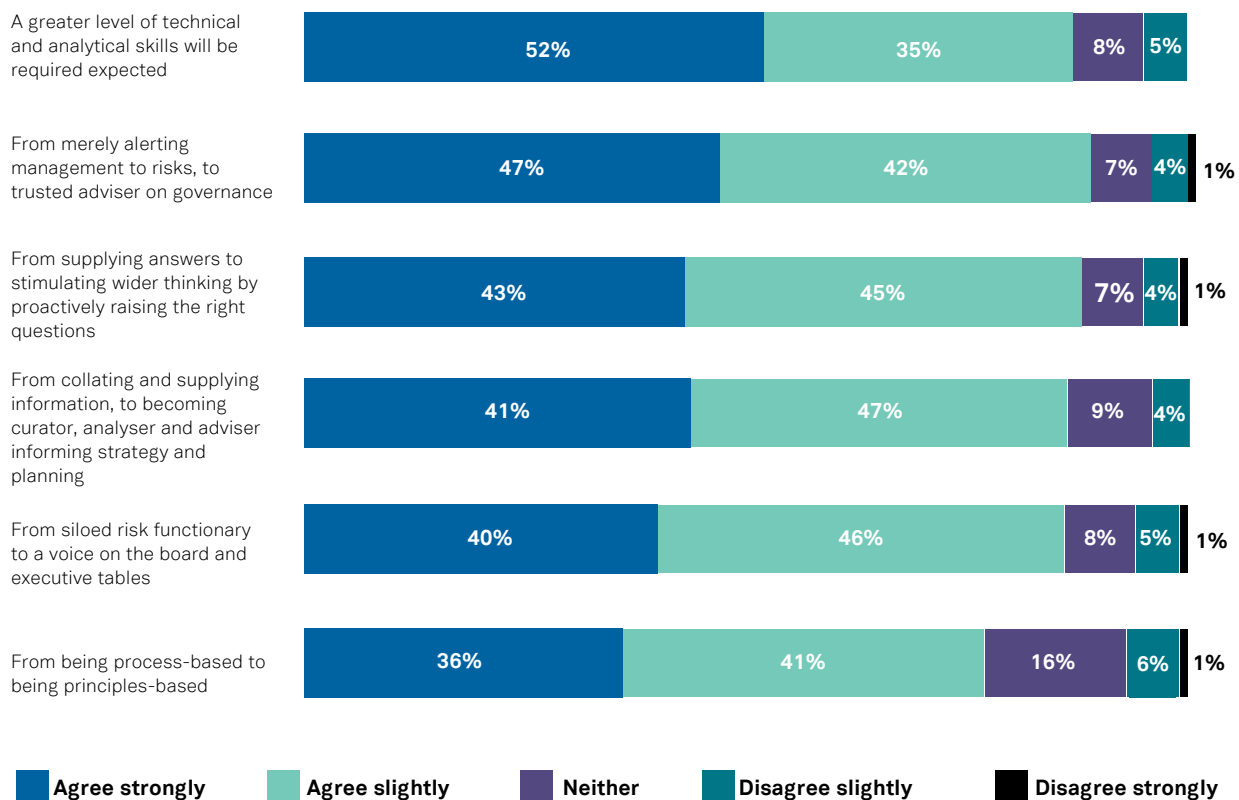
to the board, having the necessary gravitas to command the boardroom and ensure that the voice of risk is heard and acted on appropriately.

When asked how the risk professional's role will evolve, the majority of survey respondents said that a greater level of technical and analytical skills will be needed and that risk professionals will move away from merely alerting management to risks to become a trusted adviser to the board on governance and risk issues. The majority of respondents also agree that the profession will move away from being process-based to be more principles-based.

“What we'll see in the future is less dedicated, subject matter experts who spend their entire day in the risk portfolio and more people that can build capability throughout the organisation.”

Steve Farrall GIA(Affiliated)
Risk Management Consultant (Health)

The evolution of the risk professional's role



The impact of COVID-19

The pandemic has accelerated the pace of change in the risk profession, as did the preceding recent crises including the devastating bushfire season and drought. This has demonstrated the importance of risk in building resilience to withstand shocks. There is an increased demand for risk, in particular stress testing. Governance Institute conducted a Risk Management Survey earlier this year, just as the effects of COVID-19 were beginning to be felt. At that time, 39 per cent of respondents said they weren't running scenarios around risk events to test how the organisation and its people would respond, and only 11 per cent said they were doing this frequently. This picture is now changing as business leaders begin to acknowledge the value of stress testing as part of their overall risk management strategy. One roundtable participant said that, since COVID-19, 'the fight to get stress testing on the table has dissipated.' In fact, in some cases there are now more requests for stress testing than risk professionals have the capacity to facilitate. 'I think enterprise-wide stress testing is going to be a much bigger thing than it is already for all sorts of organisations,' agrees David Ingram. 'Stress testing is part of the rigour that any board should go through in terms of justifying their strategy,' he adds.

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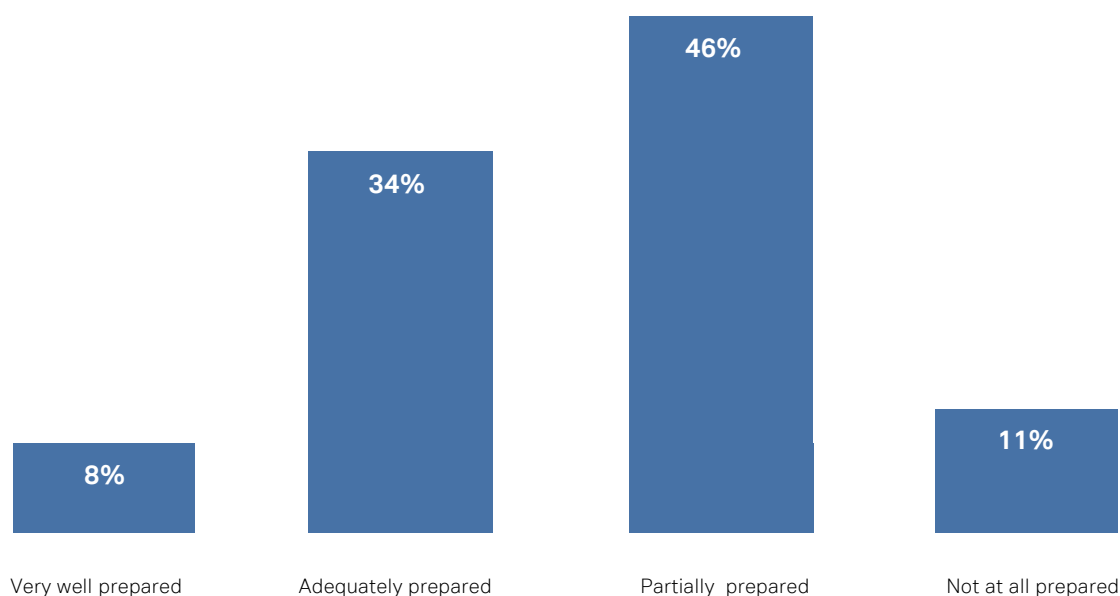
David Ingram FGIA FCG,
Chief Risk Officer and
Company Secretary
Bank of China (Australia)

Survey findings

Almost all survey respondents (91 per cent) said that COVID-19 had affected their risk management function and its place within their organisation. Fifty-two per cent said it has had a significant impact and 39 per cent said it has had a slight impact.

Almost half of respondents (46 per cent) said they were only partially prepared for the impact of the virus. Thirty-four per cent said they were adequately prepared and only eight per cent said they were very well prepared. Over one in ten respondents were not at all prepared for the impact of COVID-19.

How well prepared their organisation was for COVID-19



Those that felt well prepared said they either had a specific pandemic plan in place, or else they had crisis management and business recovery systems already in place. Several respondents emphasised the ability of their organisation to act proactively as a reason for feeling well prepared. In one case the respondent's organisation had implemented measures to manage the spread of coronavirus, such as social distancing and remote meetings, ahead of general lockdown measures being enforced. Another said their 'crisis team [was] activated and started planning prior to [the] pandemic declaration.' Having the necessary systems already in place made a significant difference because it meant that, as one respondent put it, 'we were able to adjust existing plans rather than start from scratch.'

At the other end of the spectrum, those that felt they were not at all prepared for COVID-19 cited insufficient or inappropriate planning and an inability to adapt to changing circumstances as reasons for feeling that way. The ability to adapt is what made many respondents feel partially prepared, rather than not at all prepared. One respondent said that, despite not having planned specifically for a pandemic, their organisation 'adapted well to the evolving workplace and client service environments.' Another said, 'there was a great need for agility in thinking and quick (but careful) decision-making, which we met most of the time.'



Decision-making during the pandemic

Lucienne Layton describes how the pandemic has created a very different environment for boards to make decisions in. 'When I make a decision around COVID-19 for my organisation, I know it could change overnight,' she says. 'This means that I can't only make the longer-term decisions. I must try to break down where I think the longer-term scenario is going... into smaller decision points where I try something; I stop; I review, and if I've got to change, then I change.' Layton highlights a gap in the risk profession's understanding of the decision-making process and the factors that affect it. We assume that decision-making is always a logical, reasoned process, she argues, but in the current climate a lot of decisions have an emotional or moral component to them, and this needs to be taken into account. The voice of risk could have more of an impact in the boardroom if risk professionals have a better understanding of the nuances of the decision-making process.

Social impact and the pandemic

Layton argues that operational risk should be broken down into smaller categories, to allow for a better analysis of the risks associated with employee wellbeing and the organisation's relationship with the community. These tend to fall under operational risk but are in fact significant in their own right. 'These are all risks that we need to be able to think about in a deeper and more specific way,' she argues. The pandemic has encouraged greater scrutiny of both areas and as such has increased the risk associated with getting it wrong. With the emphasis on building back better, risk professionals will need to take these risks into account in future. There will be significant reputational consequences for those who fail to do so.

COVID-19 and the long term

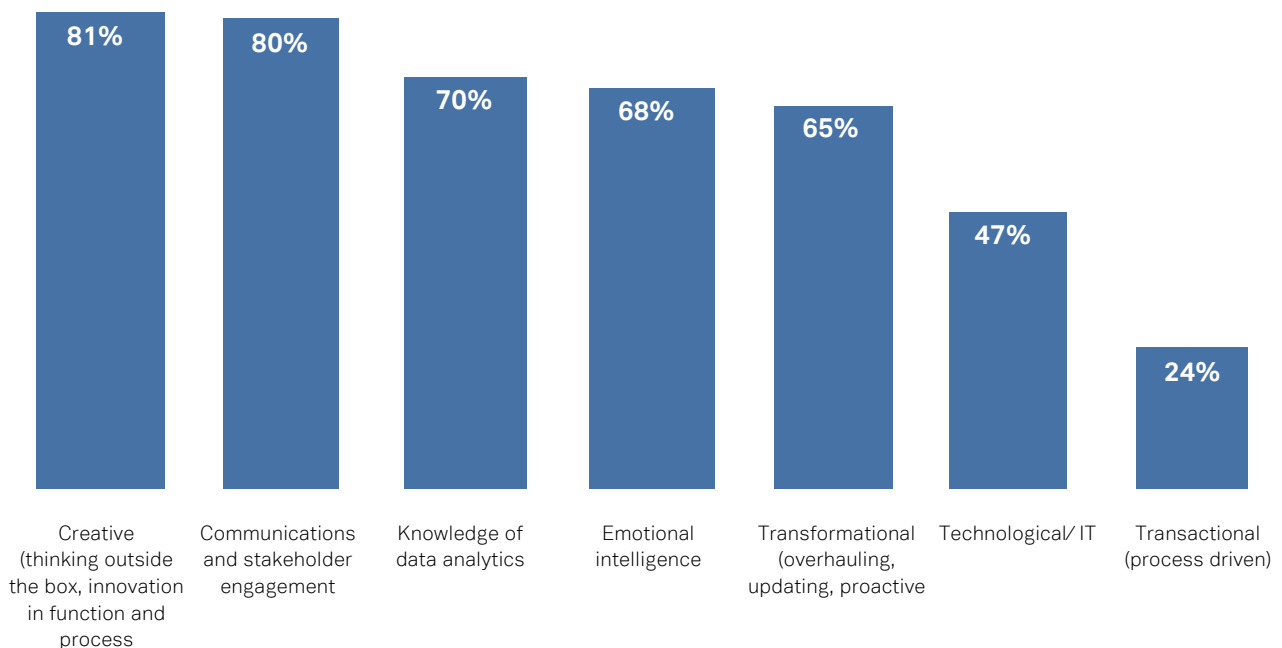
Looking to the future, the challenge will be to move from the crisis mode instigated by COVID-19 to a business-as-usual operating model that successfully integrates what the pandemic has taught us about the importance of stress testing and risk management with the routine tasks of running an organisation.

Attributes of the future risk professional

Survey respondents were asked which skills or attributes they thought future risk managers will need in order to be effective in their role. Their responses demonstrate that risk managers will need a diverse skillset. Creative thinking and communications and stakeholder engagement both scored the highest but were closely

followed by a knowledge of data and analytics and emotional intelligence. This shows how, in the future, the role will demand a mixture of both technical and soft skills. Respondents placed less emphasis on transactional and IT (information technology) skills.

The attributes/ skills that future risk managers will need in order to be effective in their role



As the risk management role evolves, the strategic attributes are growing in importance.



Influencer: the role is becoming more strategic, but technical skills are still important

The remit of the risk professional has become broader, making the scope of the role harder to define. In many cases the day-to-day responsibilities of each professional will vary depending on the requirements of the organisation they work for.

Overall, the strategic elements of the role are expanding, meaning risk professionals need to be communicators and influencers, as well as technical experts. This could result in a new breed of risk superheroes emerging, who are equally comfortable crunching data as they are presenting in the boardroom. Or, perhaps more realistically, the role will break into two or several components, and technical experts will work alongside masters of strategy to make the voice of risk heard across the organisation, especially



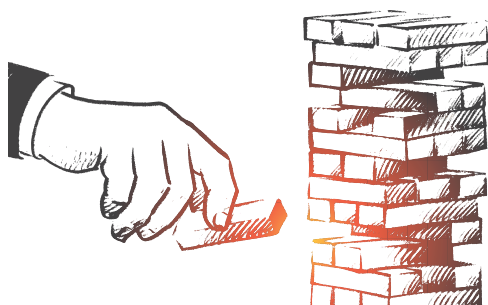
in the boardroom. In some senses there is a need to 'sell' the idea of risk management to the board and other stakeholders, which could mean the strategic side of the role lends itself to those from a sales background.

'It's about acquiring a position within the organisation that enables you to achieve things,' says Lucienne Layton. That position will usually be an executive role, which requires a strategic skillset more than a technical one. 'Any executive needs to do more than process and procedure,' says Layton. A chief risk officer needs 'to be able to manage the people who are the technical experts, so they understand the holistic perspective of risk within an organisation, not just the individual risk silos,' she says.

One roundtable participant drew a parallel with the evolution of the finance function and the gravitas that the chief financial officer now has in the boardroom. They argued that risk professionals should aspire to the same trajectory for their profession over the next five to ten years.

Risk should be at the centre of strategic discussions

According to one participant of the roundtable event held to gain insight into the themes covered in this report, 'it is a disservice to the board to not have risk at the centre of strategic discussions.' Recent corporate scandals and organisational failures demonstrate the consequences of not placing risk at the centre of strategic discussions. By acquiring new strategic skills and moving up the organisation, risk professionals can make sure risk is central to the board's decision-making process and that the board is comfortable with this.



“ It’s about acquiring a position within the organisation that enables you to achieve things

Lucienne Layton **FGIA**

Chief Risk Officer, Crestone Wealth Management (UBS)

Educator: risk needs to be understood across the organisation

Risk needs to emerge from the legal or audit department to be something that is understood and used across the organisation, especially when it comes to decision-making. This will require risk professionals to educate colleagues about the benefits of risk when it comes to identifying both threats and opportunities, without trying to make them subject matter experts. Risk professionals should empower their non-risk colleagues to use risk in real-world situations.

One roundtable participant discussed how they try to work with the business to ensure that colleagues have ownership of their risk. Risk is not owned by the risk team; the risk team is there to help the business work through and understand what its risks are and what to do with them. Another participant talked about the benefits of using the cognitive diversity of the organisation to identify risks that may not be perceived by the board, or by the risk team. A further participant highlighted that it can be a challenge 'to find a common language to express the ideas or methods of risk management.'

It is vital that decision-makers understand the implications for their organisation of the risk information they are given. Future risk professionals need to become educators, so they can equip business leaders to make informed decisions about risk. Failure to educate those at the highest levels could make organisations more susceptible to poor decision-making, which could lead to organisational failure or corporate scandal.

Optimist: risk can be used to identify opportunities as well as threats

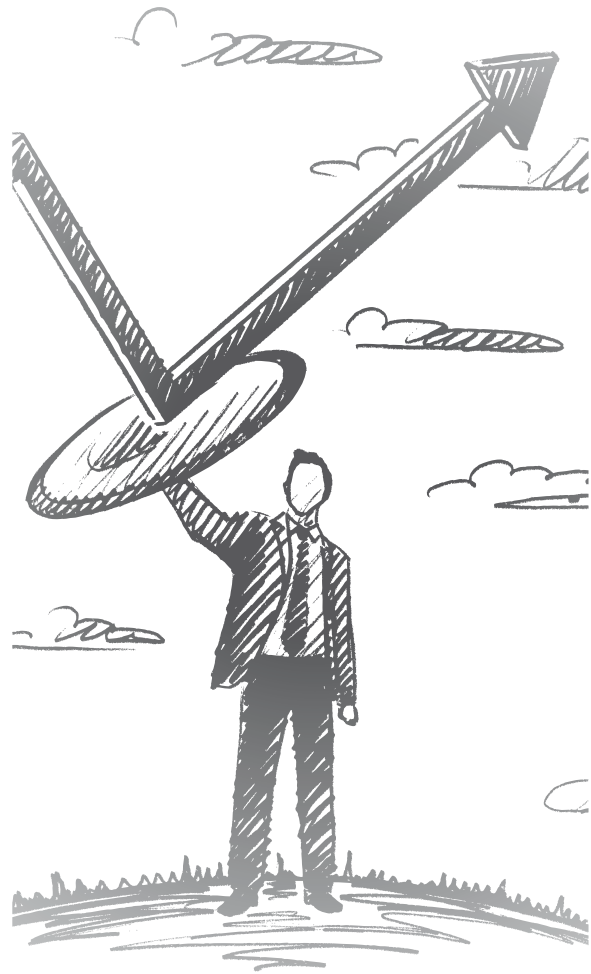
In the future, risk will need to be more forward-looking. Risk professionals should be able to identify risks and opportunities together and outline to decision-makers how these can be balanced in the best interests of the organisation. They should act as a strategic supporter for innovation, neither always saying 'yes' nor always saying 'no,' instead saying 'yes, but...'

Risk management should not just be about stopping bad things happening; it should also be about facilitating good things happening. 'For me the starting point is, how can I be the trusted adviser who has the solutions?' says Lucienne Layton. Roundtable participants discussed the possibility of developing an opportunity register alongside the risk register, to capture the way the two work together. 'It's just as important to build in a mechanism by which boards can assess good risk behaviours and reward that,' says David Ingram.

The value of educating decision-makers about risk also comes into play here, because a good understanding of risk and what it means for the organisation will enable them to identify opportunities as well as threats.

“At a strategic level, risk is often used as a way of not doing something... how do we use risk to identify and objectively inform opportunities and start getting into that higher risk, higher reward quadrant?”

Steve Farrall GIA(Affiliated)
Risk Management Consultant (Health)



'At a strategic level, risk is often used as a way of not doing something,' says Steve Farrall. 'We can find a whole host of reasons why we can't do something, that's really easy to do. What's harder to do, and where the profession will need to move towards, is how do we use risk to identify and objectively inform opportunities and start getting into that higher risk, higher reward quadrant?'

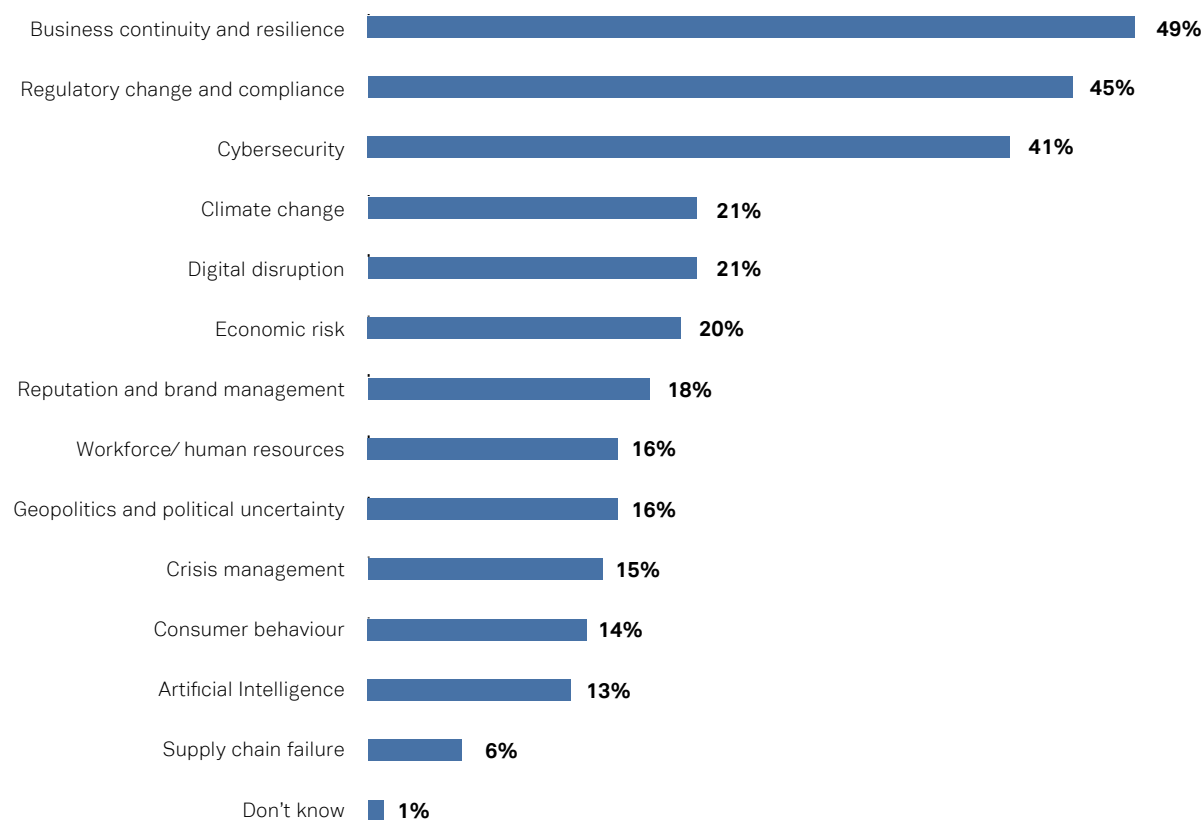
Risk professionals need to have a positive mindset, so that they can give bad news in a positive way. One roundtable participant described this as saying to the board, 'this is where we are, but we don't have to stay this way.' This could help to change the perception of risk as something that is always negative, and as a consequence make its voice louder and more respected.

Drivers of change

In 2025

Our survey responses point to three standout issues that will drive changes to risk management in 2025. These are: business continuity and resilience, regulatory change and compliance, and cybersecurity. Respondents also felt that these three areas will have the biggest impact on risk management in 2025, though in this case they felt cybersecurity would have the biggest impact, followed by regulatory change and compliance and then business continuity and resilience.

What will be driving changes to risk management in 2025?



These responses make sense given the current climate. Our research has found that one effect of COVID-19 is a greater focus on business continuity and resilience as organisations attempt to be better prepared for future shocks.

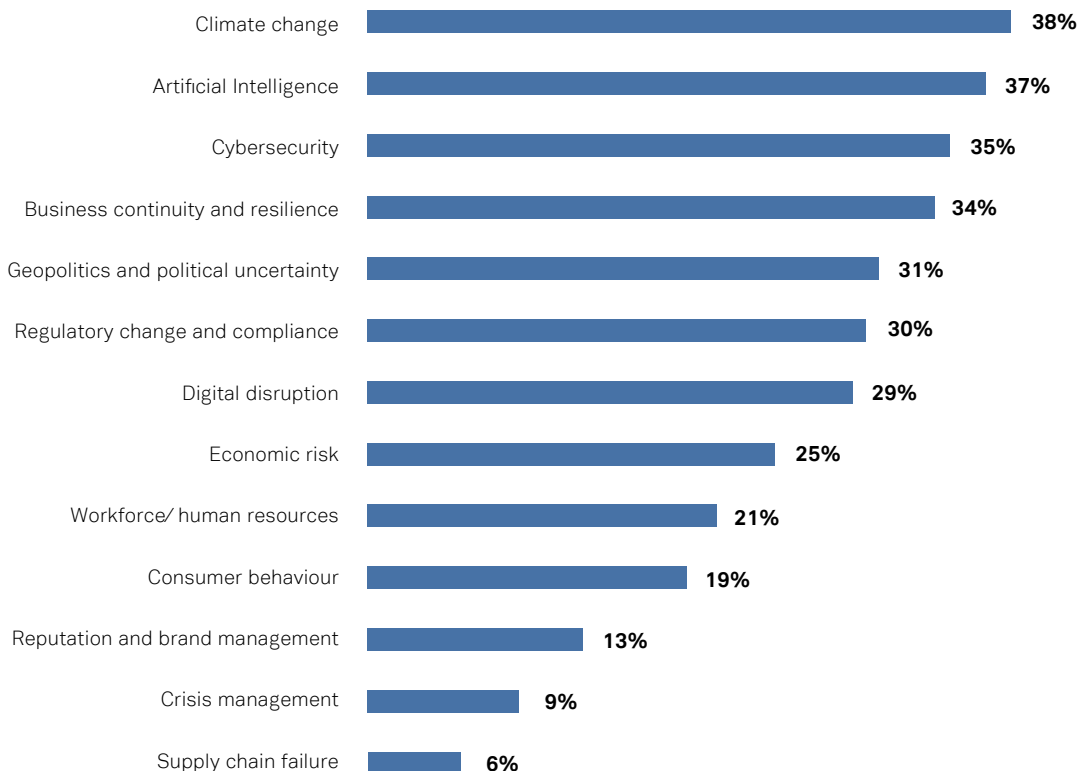
It is perhaps of concern, however, that survey respondents ranked two of the risks that have been underscored by the pandemic crisis management and supply chain failure — as the least likely to drive changes to risk management both in 2025 and 2030. This suggests that the lessons learnt from the pandemic may not be as long-lasting as we would hope.

The risk of cyberattack has also grown during the pandemic. Organisations rushed to adopt new technology so that they could operate under lockdown conditions. In some cases, the pace of adoption left businesses vulnerable to attack as they overlooked security vulnerabilities in the race to get systems up and running. In June 2020, Prime Minister Scott Morrison said that Australia was experiencing sophisticated state-based cyberattacks across the government, and all areas of business and service provision. He said the attacks were increasing in frequency and urged organisations to respond accordingly.

In 2030

Survey respondents were asked what will drive changes to risk management in 2030. This time their responses were more evenly spread across a range of factors. Climate change and artificial intelligence were ranked the highest, which perhaps reflects a more long-term view. Cybersecurity, business continuity and resilience, geopolitics and uncertainty, and regulatory change and compliance were all ranked very closely behind, suggesting that respondents believe the issues that will affect the profession over the next five years will also be influential over the next ten years.

What will be driving changes to risk management in 2030?



“ AI has enabled vast amounts of information from an enormous breadth and depth of data sources to be efficiently processed, something that was previously not possible. This advancement helps forward-thinking organisations across the globe make sense of complex data and information in real-time, providing a greater level of context in order to respond with speed and confidence. Risk professionals can now embrace real-time risk assessment as part of a holistic approach to managing risk across the enterprise’

Ilsa Shaw GIA(Affiliated)

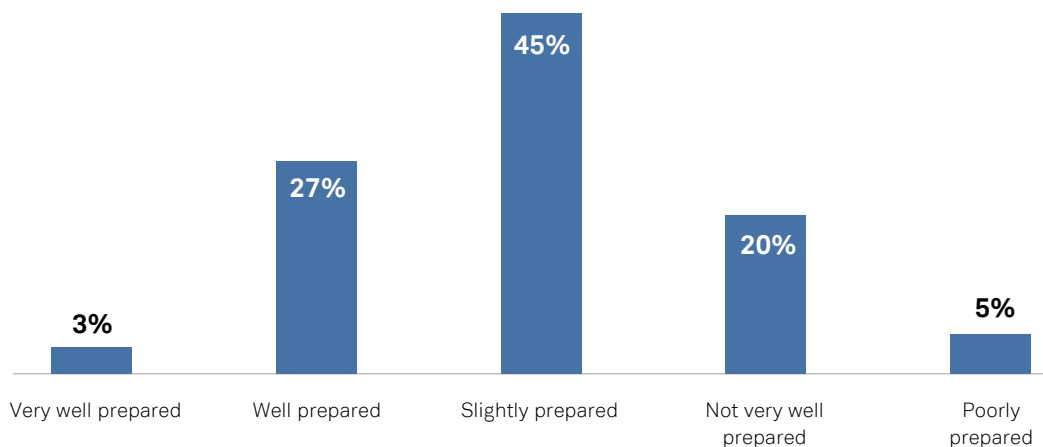
Head of Enterprise Sales, Dataminr

Risk professionals: unprepared for the future

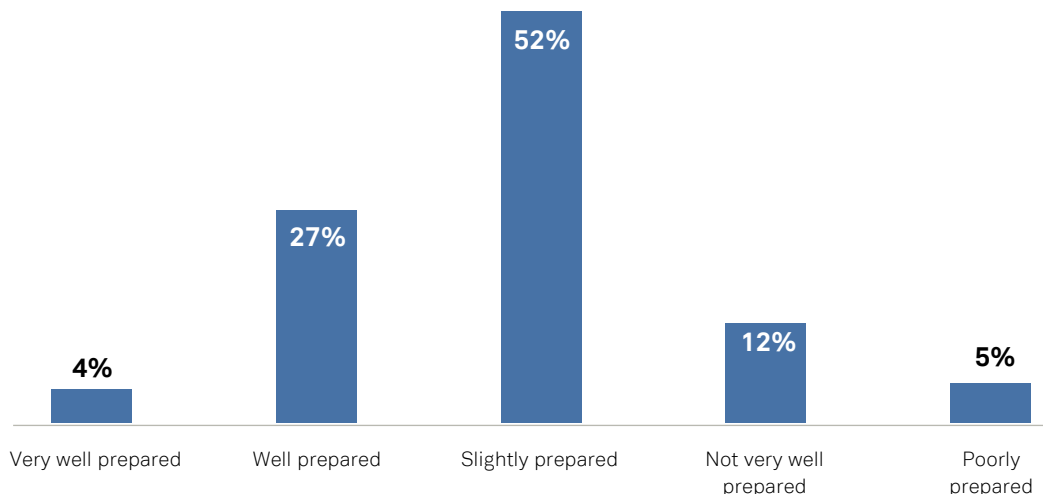
Survey respondents were cautious when asked how well prepared they are, and future generations will be, to face these challenges. Only 31 per cent feel they are well or very well prepared and 17 per cent feel they are not prepared. Just over half (52 per cent) of respondents feel slightly prepared.

How well-prepared future generations of risk professionals and themselves as individuals are for these issues

Future generations of risk professionals



How risk professionals rate themselves currently



Again, only 30 per cent of respondents think that future generations of risk professionals will be well prepared to face these challenges, and 25 per cent think they will not be well prepared. Forty-five per cent of respondents think future generations will be slightly prepared.

With this in mind, it is a valuable exercise for risk professionals to consider the skills and attributes that they will need in the future, so that they can take action to help them feel better prepared to meet the challenges they will face.

Broader drivers of change

Our research points to three broad drivers of change alongside the areas identified above. These are: data-based decision-making, emotional intelligence, and culture.

Data-based decision-making

There has been a shift towards data-based decision-making. Risk professionals need to be able to analyse data well, so they can build a picture of the risks the organisation might face in the future. Strong data analysis provides the board with context when it makes decisions about risk. It allows the board to understand which risks it could reasonably see coming, given the data available to it. Risk professionals need a 'forensic mindset,' says David Ingram, 'to really dig down as to what's driving things.'

One roundtable participant discussed the need to 'form tangible key risk indicators where appropriate, [which] can provide a real-time view of the business.' Another roundtable participant identified a particular challenge in 'translating operational risk into a tangible dollar value risk to the business.' They argued that being able to do this would be a 'value-add potential in the future: to make risk tangible in monetary terms.'

The trend towards data-based decision-making highlights the need for risk professionals to be educators. Risk professionals need to make sure the audience they present their risk data to really understands the implications of that data for the organisation.

“**The moment the data or information starts telling a story that people don't want to hear, they'll start pulling apart the data, or looking for credibility issues with the data.'**

Steve Farrall GIA(Affiliated)
Risk Management Consultant (Health)

One roundtable participant said that risk professionals must be 'ferociously objective' when presenting data to the board, or to other stakeholders. Their message may be one that the audience does not want to hear, and this might lead to excessive scrutiny of the data on which it is based. The participant observed that the current pandemic illustrates perfectly a situation where the data demonstrates facts that people don't necessarily want to hear, but which they definitely need to act on. 'You have to be able to trust your data,' agrees Steve Farrall. 'The moment the data or information starts telling a story that people don't want to hear, they'll start pulling apart the data, or look for credibility issues with the data.'

The role of technology

Another roundtable participant highlighted the need for 'a more mature relationship with technology,' arguing that 'vendors need to tell [risk professionals] how to use technology effectively.' This would allow risk professionals to gain a better understanding of what their systems can do for them. For Steve Farrall, the adoption of better technology, such as enterprise solutions, to support the profession's outputs, should be a key consideration over the next five to ten years. 'There is an enormous amount of data in organisations,' says Farrall, 'but the ability to harvest it and turn it into something useful is really difficult.' David Ingram agrees, 'organisations that don't have good data systems are at an extreme disadvantage because they lose that insight [that data manipulation offers].'

Artificial intelligence and machine learning

Our survey findings suggest that respondents expect artificial intelligence (AI) and machine learning to have a profound impact on risk management. Despite this, respondents also feel there will be a continued need for human input in the profession. Eighty-four per cent of respondents believe that AI and machine learning will take over routine tasks and 74 per cent believe that this will lead to job losses in the more administrative areas of the profession. However, the implications are not as bleak as this initial analysis suggests. Seventy-two per cent of respondents feel these effects will make the risk profession more interesting and high level. Sixty-nine per cent of respondents said they think the quality of information provided to the board will improve as a consequence of a greater use of AI and machine learning.

Emotional intelligence

Risk professionals need to communicate risk effectively, to the board and across the organisation. This area of the role is growing in importance. To be successful requires emotional intelligence, so that, as one roundtable participant put it, risk professionals 'always [have] the strategic lens.' For that participant, emotional intelligence means being able to see

risk 'in the context of what's going to stop us achieving our strategy.'

Risk professionals need to be heard in the boardroom. They need to ensure that directors understand the context of the decisions they are making. There is a need to 'sell' risk to the board and other decision makers, so that they appreciate the value in hearing what the risk department has to say. Risk professionals must also deliver effective challenge in the boardroom.

Steve Farrall says it is important that risk professionals understand the language of the sector they work in and the nuances of operating in that environment. This gives them credibility and allows them to connect more easily with colleagues, because they speak the same language.

The future risk professional will need to have a broad perspective to allow them to build the kind of gravitas that is required to influence others, particularly board members. This could be achieved by building external knowledge through additional learning or involvement in other organisations, to widen the context risk professionals draw on when presenting information to decision-makers.

“ ‘If the culture set by the board is wrong... then you're really setting up for failure.’

David Ingram FGIA FCG
Chief Risk Officer and Company
Secretary, Bank of China (Australia)

Culture

Culture and conduct are two of the biggest risks that organisations face. Poor culture, reckless risk-taking and bad decision-making often go hand-in-hand. 'It's pretty clear what happens if [culture] turns toxic,' says Ingram. 'If the culture set by the board is wrong... then you're really setting up for failure,' he adds.

The recent banking royal commission identified key failings in the sector which suggest that the voice of risk was not being heard. The ramifications are being felt throughout the whole sector, not just by those called out for poor behaviour. 'The industry lost its reputation,' says Lucienne Layton. 'Reputation is infinitely important,' she adds. 'If you don't have a reputation, you don't have a business.'

David Ingram argues that, 'to have the best cultures you have to have cultures that inspire people, that encourage people, reward people for thinking outside the box, for doing the right thing. Culture informs everything.'

Despite this, it is hard to set out the steps that should be taken to create a good culture. For Steve Farrall, 'the challenge will be to move from [asking], "what do we have to do to keep us out of gaol?" to asking, "what can we do to be a really good quality organisation where people trust us and we're making really good quality decisions... and [where] we're innovative?"'

“There are ways of communicating challenge that are appropriate and ways that are not appropriate and they'll differ for different organisations.”

David Ingram FGIA FCG
Chief Risk Officer and Company Secretary,
Bank of China (Australia)

It is important that theory and practice match when it comes to culture and risk management. One roundtable participant noted that, 'the organisation's aspirations about risk and what it says it is going to do need to be aligned with the mandate it gives its risk professionals.'

Risk professionals need emotional intelligence to be able to read the nuances of the organisational culture they work in. 'There are ways of communicating challenge that are appropriate and ways that are not appropriate,' says Ingram, 'and they'll differ for different organisations.' Understanding what is appropriate for your organisation could go a long way to making the voice of risk heard.

Culture, COVID-19 and climate change

The COVID-19 pandemic could act as a catalyst for developing an organisational culture that turns risks into opportunities, embracing change rather than resisting it. This type of culture would make organisations more resilient, because they would be naturally ahead of the curve in developing solutions to help them survive future shocks. According to David Ingram, the pandemic 'is really an exercise in boards learning to, if they had any comfort zones, get out of those comfort zones, and really look at the drivers of risk and the impact on strategy.' There is concern, however, that once a vaccine for coronavirus is found, the focus will shift to short-term economic recovery at the expense of learning lessons about long-term sustainability.

Climate change is the biggest long-term risk most organisations face. Its effects are being felt now: extreme weather events such as the Australian bushfires of early 2020, and the wildfires seen recently in California, are notable examples. These events will continue to happen. Risk professionals should take the opportunity presented by COVID-19 to work with their boards to develop a forward-looking, innovative culture that puts the organisation in the best possible position to deal with future shocks caused by climate change. 'It is incumbent upon a risk professional to take account of the challenges posed by climate change and where that's going to impact the business,' argues David Ingram. 'It's really not business as usual anymore.'

A more deliberate path into the risk management profession

Many risk professionals have fallen into their role from a legal, accounting or audit background. It is time to formalise risk training and make risk management a career path in its own right.

Training should focus on the competencies that have been identified in this report. It should be broken down to focus on different skillsets. This will allow it to be tailored to the requirements of professionals at different stages in their career, or with specific skills or areas of expertise.

“**The risk professional is increasingly going to be [a] mentor [or] guide to [a range] of people in the organisation.’**

David Ingram FGIA FCG
Chief Risk Officer and Company Secretary,
Bank of China (Australia)

There should be technical training available, perhaps for those in entry-level positions. There should also be training in soft skills, such as influencing and communication skills, to allow more senior professionals to develop their emotional intelligence. Some training on understanding the decision-making process and the factors that influence it could also be beneficial.

Training could take the form of mentoring programmes or forums, to allow professionals to expand their knowledge base. A broad foundation course could also be beneficial, to give professionals a basis from which to develop and diversify their career, which they may not get from their employer.

Training could make the risk profession aspirational by identifying its stars, who have used risk for the benefit of society, as tool to enable their organisation to ‘do the right thing’.

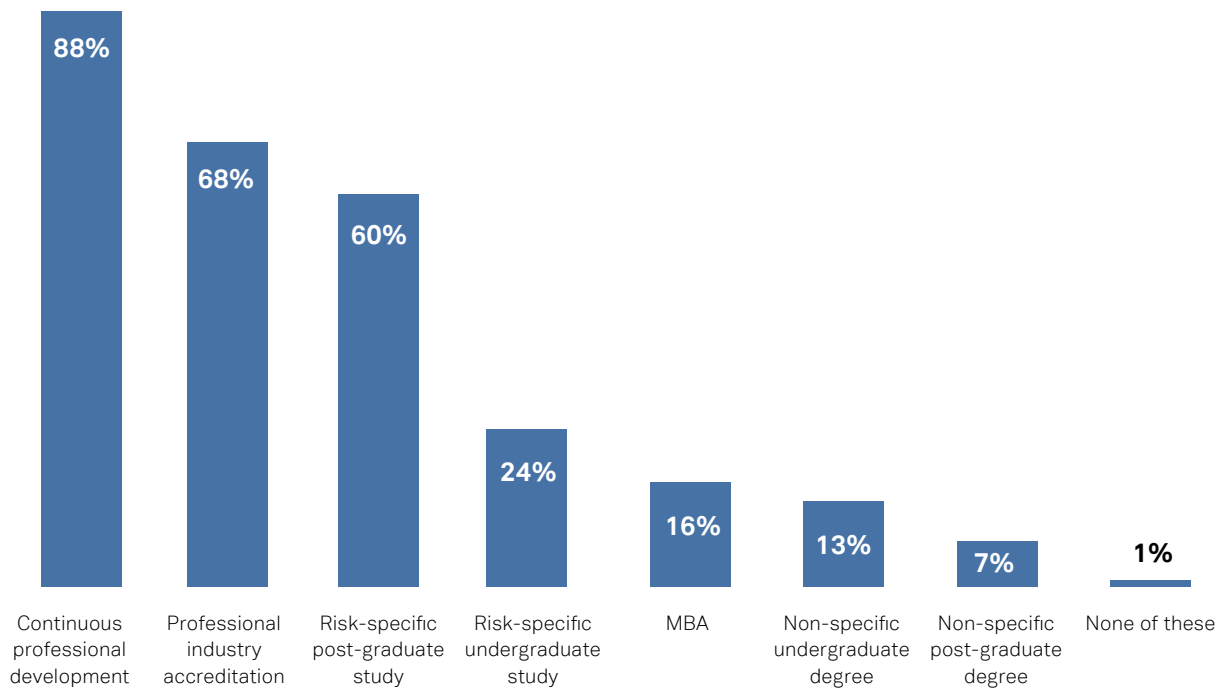
There should be accountability alongside any formal training, perhaps based on the continuous professional development (CPD) model. This would require professionals to demonstrate how they have put their training into practice and would help providers to understand if the training is working.

Formal education will help risk managers be more effective

An overwhelming 99 per cent of survey respondents believe that formal education will help risk managers to be effective in their role. Eighty-eight per cent think that CPD would be useful for the profession and 68 per cent think a professional industry accreditation would help. Sixty per cent said that a risk-specific post-graduate course would help risk managers to be more effective in their role.



The formal education and training that will help risk managers be effective in their role



Acknowledgments



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