

The interview

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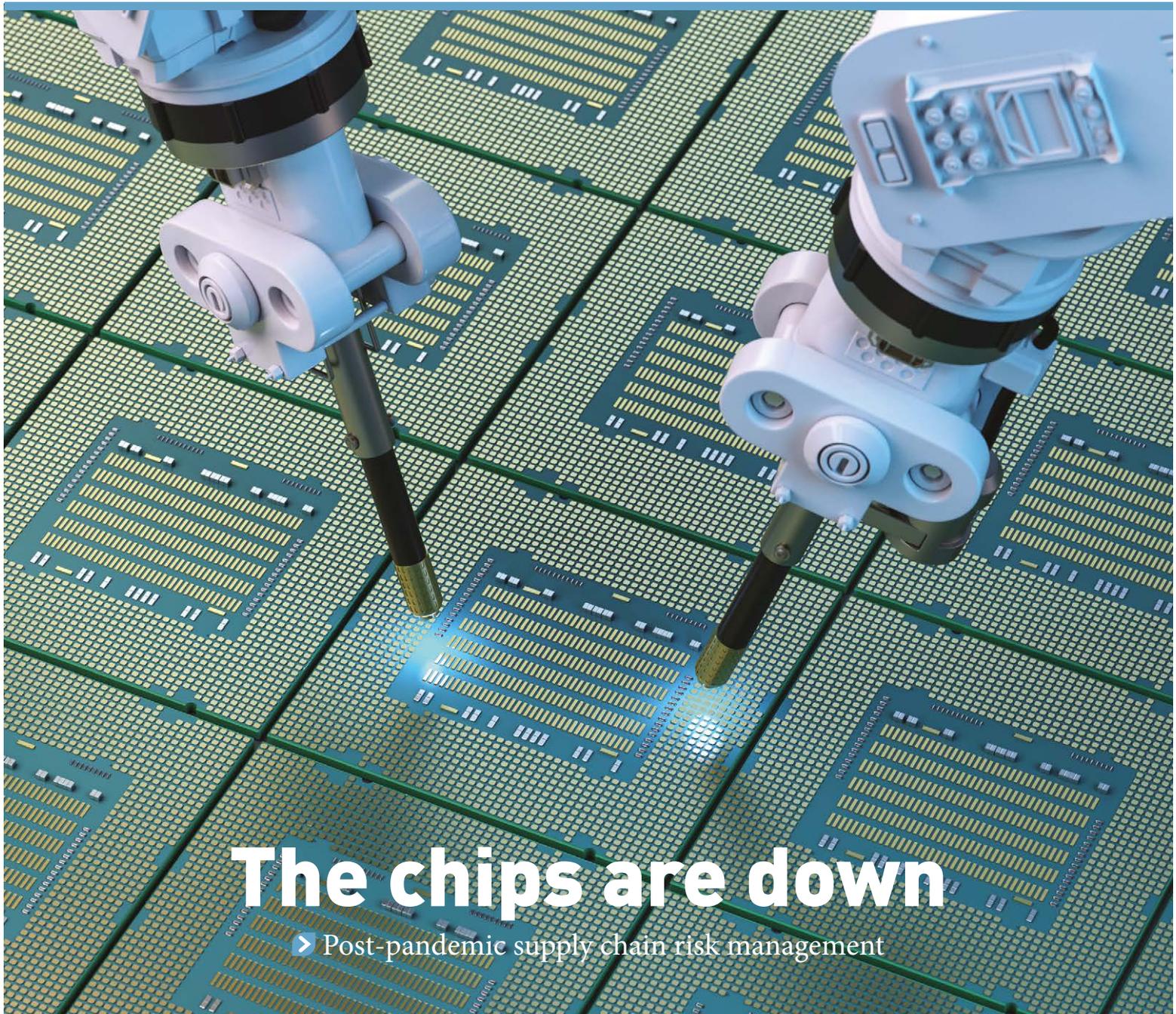
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➤ **Building Safety Bill** *The long-awaited Bill will bring about a number of major changes that insurers need to be aware of*

➤ **Training risk champions** *The role of risk champions in establishing an effective ERM structure and culture*

➤ **Podcast highlights** *Cyber exposures and underwriting in financial institutions, with sector experts at Tokio Marine HCC*



The chips are down

➤ Post-pandemic supply chain risk management

➤ View: "The first three months of lockdown accelerated the digitisation of the insurance world by five years"

Training risk champions

IRM trainer and risk practitioner Alexander Larsen explains why risk champions are so crucial in embedding an effective enterprise risk management structure and culture into an organisation

In order to implement an effective enterprise risk management structure in an organisation, the process, tools and procedures, along with risk knowledge, decisions and behaviours all need to be communicated and integrated at every level. A risk champion is a great option for achieving this goal.

There are numerous names and roles for a risk champion but, most commonly, they are employees in an organisation who, although their primary role may not be risk management, they are responsible for providing support within their own department or division when it comes to risk reporting.

Also known as risk coordinators, risk officers, risk management business partners and risk business partners, they are essentially an extension to the core risk management function, and can communicate risk information and influence risk culture and behaviours. In addition, they can report back to the risk management team on areas for improvement such as what frustrates staff in relation to the risk management approach, and help to overcome some of those challenges.

The role of the risk champion can vary but includes:

- Providing feedback on an employee's view of risk management process
- Supporting identification and reporting of risk
- Ability to identify blockers

- Communicating the risk management vision to staff
- Acting as a subject matter expert in certain disciplines (eg. geology)
- Acting as a 'translator' between risk management and their technical department
- Building a risk aware culture within the organisation, including appropriate education
- Providing guidance to the risk manager on the best way to implement risk management in specific areas of the business and at what pace.

The risk champion network

One risk champion will likely be insufficient in an organisation looking to identify risk across all its departments, and in these cases, a risk champion network offers a better reach.

It allows departments to take ownership of risk, something that may otherwise be difficult because those outside the risk management function can tend to assume the responsibility for it sits with the risk management function department. It also brings a sense of risk ownership to the front line.

The risk champion framework places the responsibility for assessment and mitigation firmly within those departments and risk owners, and having a risk champion within each department or area has often been found to enhance and strengthen ownership of the process.

International firms with a

network of offices, usually spread across countries and continents, often struggle to build a consistent risk culture. This is partly because risk management teams have limited reach, but also because different geographies and management teams – and the prevailing country or regional culture – will have different attitudes to risk. Again, in these cases, having a risk champion network can improve consistency in risk identification, understanding and reporting.

What kinds of roles might risk champions have in different organisations?

You will need to develop a job description for your risk champion network. This will vary depending on the risk maturity of your organisation and how engaged, knowledgeable and conversant staff are with risk management. It could be as simple as updating departmental risks at defined intervals, or it could go further to include ensuring risks are analysed in line with the published criteria. It may be worth considering a stipulation that risk champions talk to each person in a department individually or you might ask them to run workshops.

It could be that you want the risk champions to drive risk management within their own departments, but instead of the risk champion being responsible for the risk register, they instead support their manager in maintaining it.

With the right risk champion and a structured training and development

programme, they could even drive training throughout the organisation. This tends to be correlated with the level of organisational risk maturity.

You also need to think about how much time they have and what percentage of it should be dedicated to risk management. That will dictate how much the risk management responsibility they can take on alongside other roles that they perform. Such time commitments are likely to be different in different departments, areas or regions.

Whichever approach you take, it needs to support your ultimate aim, which is to drive risk culture. Managers are responsible for departmental objectives and therefore they should also be responsible for owning the risks for their departments.

What education do they need?

In a company with good risk maturity, your managers are more likely to suggest someone with the right blend of knowledge, competency, skills and

commitment. Otherwise, you can try to improve the process by guiding managers on the kinds of skills you need. For instance:

- Champions need to be relatively senior
- They need to have the authority and ability to speak to people at higher levels
- They need to have been in their present role for a while
- They may need a certain personality
- You might want someone with certain qualifications (eg. a financial or engineering background)
- They need the visible support of the CEO and the risk manager.

You don't want to step on managers' toes, but if you can give them a good idea of what you are looking for and how the specific characteristics and criteria will benefit them, you're more likely to get the champions you need.

Once risk champions are in place, training should begin from the outset.

Induction and basic training

Context is important, so risk champions need to have an introduction to risk management and an understanding of their roles and expectations as they relate to the organisation.

Training should consist of communicating why the organisation is focused on risk management, the benefits of the programme, and the resources dedicated to it. It should also include the foundations of risk management: What is risk? What is risk management? How do we identify, assess and manage risk?

These sessions should be interactive and involve various identification and assessment exercises.

Running sessions that enable risk champions to work together also adds tremendous value – allowing them to build an informal relationship that can be helpful in understanding other parts of the business, and helping them to understand how risks may interconnect, eliminating bias and group think in the formative stages. It also builds a network of risk champions that can rely on each other and not always feel the need to ask questions of the risk management department.

One-to-one training

The risk manager should be hands-on and deliver dedicated one-to-one training and support. This may take the form of shadowing, inviting champions to workshops and involving them in the preparation and running of the sessions, as well as observing them running sessions as time goes on. Essentially the role is to hand-hold until they are confident enough and providing the right quality of output to go it alone. These one-on-one sessions need to be integrated with the annual



performance review process and cycle which should also include individual development plans for risk management.

Soft skills training

Soft skills are a vital skill for any risk professional and risk champions will benefit greatly from such training, depending on the expectation set upon them. As an example, if they are expected to run workshops, then they should receive facilitation skills training, for presenting reports they should have presentation skills, and for dealing with numerous stakeholders they should be offered communication skills training.

These are just some examples of the types of soft skills training that would be extremely useful in their roles, although there are numerous others.

Multi-layered and multi-year training

Whilst the above training should be in place as standard, it is important to have a training plan in place that aligns with the longer term aspirations of the risk management department.

Linking the training to the risk maturity aspirations of the organisation might be a good way to develop the training requirements. As an example, if the expectation is that quantitative risk analysis will be a feature of the risk management process across the organisation within a three- to five-year period, it might be useful to build a training programme that prepares your risk champions to either understand the data inputs required or even go as far as training them on how to run Monte Carlo simulations with the help of software.

Having a three-year training programme (or longer) in place which guarantees a set number of days for training, for example five to ten days'

▶ The Institute of Risk Management

The IRM is the leading professional body for enterprise risk management, helping to build excellence in risk management to improve the way organisations work.

The Institute provides globally-recognised qualifications and training, publishes research and thought leadership and sets professional standards, which define the knowledge, skills and behaviours today's risk professionals need to meet the

demands of an increasingly complex and challenging business environment.

IRM members work in many roles, in all industries and across the public, private and not-for-profit sectors around the world. The Institute is independent and not-for-profit.

The full portfolio of IRM's qualifications and training courses can be viewed at: www.theirm.org

training a year over a three-year period, will greatly improve the skills and knowledge of the risk champions whilst also meeting the needs of the organisation's risk maturity aspirations. This has the positive knock-on effect of improving the overall risk culture of the organisation, with the risk champions able to better communicate the benefits of risk management to staff as well as improved support to all involved in the risk management process.

To really add value to the training programme, it can be undertaken in conjunction with an organisation such as the Institute of Risk Management, which would allow the risk champions to achieve a certificate by the end of the programme. This ensures not only top quality bespoke training developed specifically for the organisations needs and in conjunction with a highly regarded professional training and education body, but it also adds an incentive to be a risk champion, and to remain a risk champion, for those three years or whatever period the risk champions role has been specified as.

Encouraging HR to include such a certificate as a prerequisite for certain managerial promotions, and so on, will even further encourage people to

willingly put themselves forward for the role of risk champion.

Typical agenda:

When training a risk champion, the following elements should be covered;

- What is risk management?
- What does risk management look like in the world?
- What does the organisation see as risk management (focus on opportunities, too)?
- What is risk appetite and tolerance? What is the organisation's current risk appetite?
- How do we go about identifying risk?
- How do we measure those risks?
- How do we manage those risks?
- How do we communicate and what reporting requirements do we have?
- How to facilitate workshops and risk conversations.
- What tools are available for risk management?



▶ **Alexander Larsen**
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