

COMMENTARY

What's in a name?

by Jon Piercey

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Risk manager or risk advisor – who takes the risks?

Many organisations have a role of risk manager. But what is the relationship between the person who actually takes and manages the risk, and the roles supporting them?

“The risk manager as currently framed is not what I would call an actual ‘risk manager’,” says risk consultant Peter Moore. “This role supports the actual risk-takers in the business: those people in the organisation who are responsible for managing risk in the delivery of their business objectives. When organisations employ support functions and give those roles the title of ‘risk manager’, confusion reigns.”

So who does what? The role of risk manager supports the risk-taker and the two are often confused, with the problem made worse when the support function gains additional titles: ‘Manager, Risk and Compliance’, ‘Security Risk Officer’, ‘Chief Risk Officer’ and many more. Are they one and the same? And is the risk management role not actually involved in the risk at all?

“The actual risk-takers may fulfil quite different roles on a day-to-day basis but within that function, they control risk, add value and decide on exposure...”

Moore points out that organisations are already challenged by the fact that a ‘manager’ is usually presumed responsible for outcomes in their area. The actual risk-takers, on the other hand, may fulfil quite different roles on a day-to-day basis but within that function, they control risk, add value to an organisation and decide what exposure it will have. Often the person filling the role of risk manager has never been responsible for setting business strategy and therefore taking and managing business risks.

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The role of the risk advisor can be equally uncertain. To advise an organisation on its risk management process requires detailed knowledge of the field and the role may be fulfilled internally or by a specialised contractor. Moore considers the external risk advisor to be the best equipped to provide strategic risk management advice to businesses based on specific skills and experience. External risk consultants are also required to demonstrate professional skill levels, one of the key principles of ISO 31000: *Risk management – principles and guidelines*.

The risk advisor's role both guides the organisation in establishing risk management frameworks and processes as well as assisting the board in establishing the company's risk appetite and risk tolerance position. One option is to draft in an independent consultant to leverage their focused experience. The alternative is for internal risk personnel to help assess risk based instead on regulatory knowledge, training and professional experience used in conjunction with the strategic decision-makers of their particular business.

As Moore explains: "The challenge for risk management to be recognised as a profession will be an ongoing one; not least for risk management practitioners who are playing a part in providing organisations with skills, knowledge, processes and support mechanisms to allow managers to take and manage risks in order to obtain appropriate returns for risk and to achieve organisational objectives. A broad rather than narrow view of the risk management profession is what is required to build recognition of all participants in the diverse activities of risk management.

"The challenge for practitioners is to gain a greater understanding and acceptance of the respective roles described here, which all contribute to effective risk management as a management discipline."

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