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Where Are You on the Risk Management Career Path?

by
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The risk management discipline is evolving and expanding. Increasingly, risk management practitioners are shifting their focus from event or financial risks to a broader perspective that encompasses operational, enterprise and strategic risks.

Like in any other profession in transition, however, not everyone will be ready. Some practitioners will resist the change, while others will wait until they receive greater clarity about what those changes will ultimately look like before taking action.

Nevertheless, change is inevitable. Not only will future risk managers have new and different responsibilities, but the skill sets that will be required to carry out these new responsibilities will have changed as well.

While this transition from traditional risk management to an enterprise or strategic approach began more than a decade ago, it will take several more years before the majority of risk managers are indeed practicing enterprise risk management. So perhaps there is no better time than now for today's risk managers to take a step back to consider their present and future career path.

In order to do so, risk managers should keep three key questions in mind. First, where is my current position along the career "S-curve?" Second, do I have a professional brand that matches my career goals? And lastly, how do I plot a professional rebranding campaign to achieve my career goals?

EXHIBIT 1: The Career S-Curve

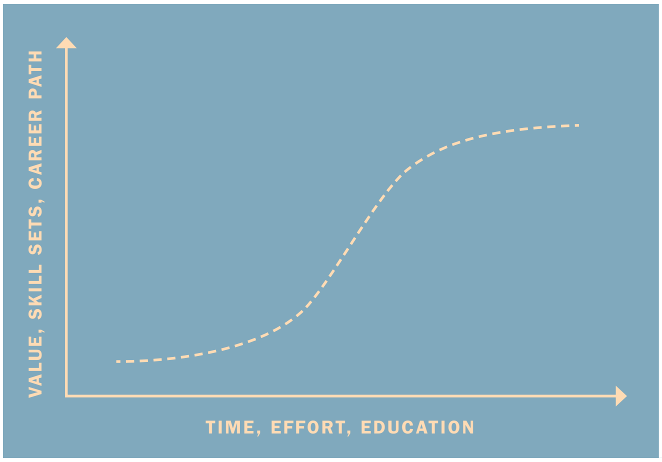
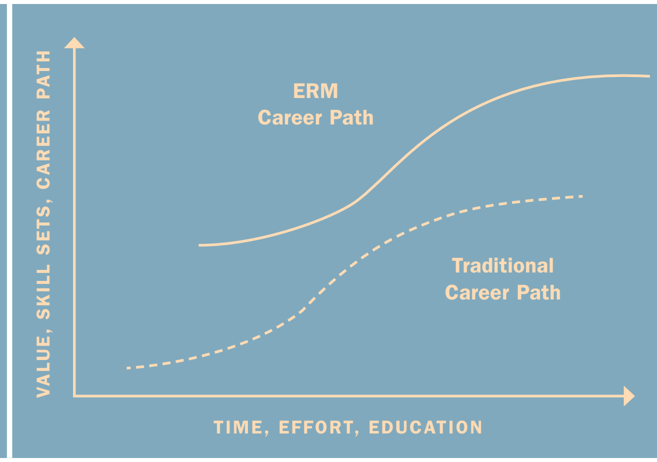


EXHIBIT 2: The ERM Career S-Curve



The Career S-Curve

The "S-curve" framework is a model typically associated with describing technology and product life cycles. The S-curve illustrates, from an economic perspective, the performance of a new product or innovation from introduction to adoption to growth to maturation. The S-shaped curve is common in many industries and has been adopted here as a tool to consider both the future of the risk management discipline and the risk manager skill sets that will be required to match the discipline's evolution.

Above, Exhibit 1 indicates how risk managers' skill sets and value increase as they devote more time, effort and education to hone their craft. As an example, consider a typical working career of 40 years (age 25 until retirement at age 65). At age 25, the risk manager graduates and secures initial employment. As time passes during a working career, there are variables that shape the individual's career S-curve.

One common variable is continuing education or professional development. The education enables new skill sets that enhance the risk manager's value. The greater the effort exerted into personal development, the greater the value of the risk manager. The outcome and shape of the S-curve is determined by the combination of the timing, diversity and complexity of the educational programs and experiences, and the value those projects contribute to the organization. These variables (and others) encountered along the career S-curve shape the risk manager's career.

> WHILE THE TRANSITION FROM TRADITIONAL RISK MANAGEMENT TO AN ENTERPRISE APPROACH TO RISK MANAGEMENT BEGAN MORE THAN A DECADE AGO, IT WILL TAKE SEVERAL MORE YEARS BEFORE THE MAJORITY OF RISK MANAGERS ARE INDEED PRACTICING ERM.

The height of the curve can also be thought of as the professional brand that each person has built for themselves. And, like any other brand, it is important to maintain and strengthen one's personal career brand. It is critical that a professional know where they are positioned on the curve so that they may plan ahead and make adjustments as needed.

However, all S-curves are not static, smooth or (as an economist might say) "monotonic." That is, the S-curves can have breaks, or "discontinuities." These events are caused by opportunities, such as the development of a new technology or a new approach to risk management, that offer chances to adjust one's career trajectory.

The ERM Discontinuity

In the world of technology, a discontinuity is caused when an innovation occurs that disrupts the assumed or perceived S-curve trajectory. For example, consider how the music industry, and everyone's career in that industry, was forever changed by Apple's iTunes. Or think how Apple's iPad tablet is disrupting the traditional computer business and everyone linked to it.

For risk management professionals, enterprise risk management is the discontinuity in the traditional risk manager's career S-curve. The result is an upward shift in value as shown in Exhibit 2.

In this case, the enterprise risk management discontinuity represents a break from a flat or mature career path. It is replaced by an elevated set of ERM skills. These skills make the risk professional more valuable to the organization resulting in an enhanced career path.

Dodd-Frank section 165 mandated the formation of board-level risk committees at large, publicly traded financial firms like JPMorgan Chase, Bank of America, Travelers and The Hartford. But other companies, including General Motors and General Electric, have decided to form similar risk committees even without regulatory pressure.

A Window of Opportunity

The evolution and expansion of risk management has been driven in large part by enterprise risk management. This is creating a unique window of opportunity for risk managers to take advantage of the very discontinuity that ERM's evolution is causing. While ERM has been practiced in various forms for some time, the vast majority of programs are audit and compliance based. However, CEOs are becoming skeptical about the value of ERM beyond audit and compliance and now questioning the resources allocated to compliance-based ERM programs.

Fortunately, the next step in ERM's evolutionary process has already begun. In many companies, industry leaders are bringing ERM into the strategic planning process. This better positions risk managers on a path to create new value for their organization. ERM's evolution also coincides with two other big picture shifts taking place in the overall risk management space.

The first shift pertains to corporate governance. Dodd-Frank section 165 mandated the formation of board-level risk committees at large, publicly traded financial firms like JPMorgan Chase, Bank of America, Travelers and The Hartford. But other companies, including General Motors and General Electric, have decided to form similar risk committees even without regulatory pressure.

Over the course of the last 18 months, other smaller companies have also formed board-level risk committees, including Evansville, Indiana-based Old National Bancorp. While the bank has only a $1.2 billion market capacity, it has nevertheless recognized the added value that ERM board-level committees can afford. The formation of a board-level risk committee is a trend that will continue as the risk management community at large comes to view this development as a governance best practice.

The second shift is philosophical. It requires a change from thinking of risk management as always dealing with negative outcomes to understanding that it is a coin with both heads and tails: an upside and a downside. The upside of risk becomes an obvious priority when ERM is incorporated into the strategic planning process. As the creation of one-, three- and five-year strategic plans becomes common, both threat and opportunity assessments will be made—all with the goal of creating a more achievable strategic plan.

Rebranding Risk Managers

As ERM becomes a more widely adopted best practice, it is essential that risk professionals make a serious evaluation of their career paths to make sure they are keeping up with the expanding demands of their profession. By determining where they are on their career S-curves, they will have a better idea of their professional brand, how it matches up with their career goals and what, if any, changes need to be made.

The time for this self-assessment is now. The rapid evolution and expansion of the risk industry requires risk managers that possess cutting-edge skills and knowledge. In order to stay relevant, a risk management professional needs to develop a plan to stay above and in front of other risk managers' S-curves. With the proper plan for reevaluating and rebranding, the ERM manager will be well-positioned for career advancement opportunities.

Of course, there is another option. Without ERM, risk professionals can simply settle for a leisurely stroll down their career path. This journey will result in a slow growth in value to a mediocre maximum. But by putting in the effort to learn and incorporate ERM into their skill sets, the risk professional will travel a path that will be much more rewarding—both personally and professionally. ■

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