

# Enhancing the Future Relevance of ERM: Insights from ERM Leaders

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**Enterprise Risk Management Initiative**

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# EXECUTIVE SUMMARY

## ENHANCING THE STRATEGIC RELEVANCE OF ENTERPRISE RISK MANAGEMENT (ERM)

While many organizations believe risk management processes provide strategic advantage, not all entities have invested the time, energy, and resources in strengthening their oversight to the level of addressing the constantly evolving risks. Today's business leaders are now realizing there are opportunities for improvement in their current practices to anticipate and manage risks. Continual external challenging events such as inflation, supply chain deficiencies, geopolitical issues relating to the war in the Ukraine, crises in banking, among others, have only magnified the importance of having robust ERM practices in place. The fast-paced challenges of today are widespread and significant. While organizations vary as to the stage of maturity of their ERM processes, the past few years have made it clear that the future of ERM as a strategic tool is dependent on its ability to provide rich intelligence that supports the growth and sustainability of an enterprise. Many business leaders are looking for insights as to how that can best be achieved.

## INSIGHTS FROM RISK LEADERS ABOUT IMPROVEMENT OPPORTUNITIES

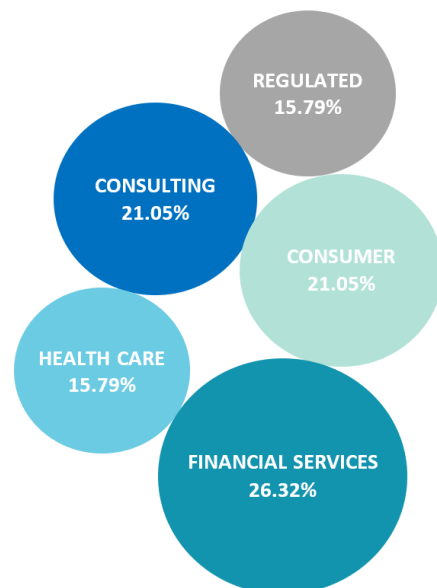
To gain perspective about the future of ERM as an important strategic tool, we obtained insights from ERM leaders about **continuous improvement opportunities** and learned about practical ideas as to how they are seeking to advance the strategic value of their organizational ERM processes. These practitioners assisted our team in identifying trends and best practices as to where the future of ERM is headed as well as the talent needed to support such efforts. The objective of our case study was to look at the past, present, and future of ERM practices and identify **innovative and emerging concepts** organizations are embracing **regardless of the maturity level**.

## OUR APPROACH

A team of graduate students from NC State University interviewed **nineteen individuals** from various industries to gather insights about how the next generation of ERM leaders are innovating their processes to increase its value for the organization. These organizations have been embracing ERM for many years.

Our discussions centered around **four key questions** to identify best practices organizations believe are most helpful in moving their ERM efforts forward.

1. What have you done **in the last 2-3 years** that has helped **advance** the ERM program for your organization? Please provide examples of tools, techniques, process improvements and tips that have worked well for your ERM program.
2. What is on your **ERM to-do list (e.g., wish list)** for the **next 2-3 years**? What ideas do you have for taking your ERM program to the next level? That is, how would you like to "**innovate**" the ERM program at your organization?
3. How do you **envision ERM a decade from now**? What do ERM programs need to be doing to be in a value-adding position in the future?
4. What **skill sets** are needed for **future leaders** to support the above practices. What qualities and experiences do future hires need to possess?



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## FOUR KEY THEMES

One of our respondents compared ERM to a puzzle. *“It is about pulling everything together and once you have all your pieces fit together nicely, it can paint a beautiful picture.”*

The puzzle analogy provides a helpful reminder that an ERM program is only successful when it helps business leaders put the complex pieces of their business together. This means that everything needs to be **interconnected**, not only the ERM program itself, but employees at all levels need to work together to support the **bigger strategic picture**.

Building on that puzzle analogy, we have organized our findings along four themes that reflect important **“pieces of the ERM puzzle:”**

1. Seeking a **Culture** that Embraces Risk Management
2. Establishing the **Strategic Value** of Enterprise Risk Management
3. Leveraging **Data Analytics** to Anticipate Emerging Risks
4. Focusing on **Talent** Development and Engagement

The results of our discussions summarize innovative opportunities to enhance ERM’s value over the next decade. We hope our compilation of these insights will serve as a resource for ERM practitioners seeking to benchmark and strengthen their organization’s ERM process. We believe these insights can be used regardless of the stage an organization’s ERM activities - whether just beginning the journey or taking your efforts to the next level.



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# SEEKING A CULTURE THAT EMBRACES RISK MANAGEMENT

An organization's culture that embraces the importance of robust risk management provides the foundation necessary to support strong ERM practices. Without support for investing time, talent, and resources in risk management, ERM is likely to flounder. Throughout our discussions, the **importance** of considering the impact of an organization's **culture** on risk management and risk taking came up over and over, with **education** and the **ideology around culture** frequently mentioned.

The organization's culture manifests itself in day-to-day interactions between departments, employees, and its impact comes through ethical values regarding risk taking, articulated desired risk management behaviors, and the willingness to invest in understanding the risks facing the entity. Culture helps an organization's processes flow efficiently and effectively and can connect everyone around a common ideology. While these are critical realities, the intangible aspects of culture are hard to measure and influence.

## REALIZING THE BENEFITS OF ENTERPRISE RISK MANAGEMENT

Our interviewees noted that in the early days of their organization's embrace of ERM, those involved were often limited to the executive level and it remained that way through much of the early history of each of their programs. They observed that this sometimes led to an informal trickle-down approach with executives sponsoring the push for ERM to inform all levels throughout the organization, without more formal communication and leadership set about desired goals and objectives. This indirect approach to setting expectations often created confusion among broader ranges of employees about their roles and responsibilities regarding risk management. That fuzziness sometimes created a culture of confusion about the role and importance of ERM. That confusion sometimes led to doubt about the importance of risk management for the organization, which sometimes generated push back and resistance towards engaging in ERM activities.

An  
Objective  
Based  
Approach

One interviewee noted that to integrate ERM into the culture of the organization, an objective-based approach was established. This included identifying organization-based goals, seeing how risks aligned with the goals set, as well as opportunities that could come from the established risks. Creating a culture where risks are not only portrayed as negative events, but also as opportunities helps advance ERM innovation and integration into the strategic plans.

## CLARIFYING THE OBJECTIVES AND ROLES FOR EFFECTIVE ERM

Some of our interviewees described how they have recently tried to clarify and better articulate the objectives of ERM and how ERM integrates with the goals and objectives of the organization. Many have realized the importance of changing the mindset across business leaders within the organization from one that only sees risks as negative threats to one that also recognizes the importance of **taking risks for strategic advantage**. Interviewees noted that they have worked hard to clarify the role of ERM for their organizations with a goal of **creating a culture throughout all layers** of the organization that sees the understanding of risks as a strategic tool.

Efforts are being made to educate individuals at all levels of the organization to have a better understanding of what it means to **manage** risks instead of **reacting** to address them as they are happening. Senior leaders are encouraging managers and other employees to create an environment for learning about risk management, especially those who may not be currently involved in ERM. They are also seeking to encourage a **transparent** and **open** exchange of risk information across the enterprise so they can create a **holistic** view of ERM and what it means to all areas of the organization, rather than focusing on one singular area.

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## BUILDING STRONG ALLIANCES

With the rapidly evolving nature of today's world, it is important for organizations to continuously adapt and further their ERM efforts to align with the strategic initiatives. Building strong **alliances** with executive management and creating areas of risk ownership and building up a more **risk-forward mindset** throughout the organization may pose a challenge to some but can be seen as an enhancement to the overall culture important for risk management to be value adding.

One benefit of a healthy culture and mindset towards risk management is increased **transparency throughout** the organization. Continually providing education and risk awareness



will lead to employees feeling more comfortable around executives and management level individuals with a goal of having everyone with a risk and strategy mindset with ERM **integrated into daily business activities**. This creates opportunities to engage management in more transparent discussions about risks. This relates back to having a strong educational presence regarding the goals and purpose of the organization's ERM initiatives.

For those just starting to evolve their programs, better guidance throughout **all levels** of management and **standardization of processes** are beneficial so the next generation can continue successful in-

novation to address and manage risks and opportunities. Individuals trained today may be at the **forefront of ERM leadership one day** and involving them early can create a catalyst for a smooth transition and an innovative way to provide opportunities for growth to help retain and attract new individuals.

**Consulting and Advisory** organizations play a key role in shaping ERM programs by using their business, finance, and analytics expertise to help organizations **get started and/or enhance** their ERM practices. A critical first step is to **demonstrate the value-adding** properties of ERM in the minds of CEO. One consultant noted that *"It is important that the ERM program not be seen as **another administrative function**, but as a partner toward success that has strategic value for the entire organization."*

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# ESTABLISHING THE STRATEGIC VALUE OF ERM

Establishing an ERM program as a strategic tool that provides valuable **insights for decision making** can heavily impact the success of ERM for the organization. Unfortunately, risk management is sometimes viewed as non-value adding and overly bureaucratic, causing business leaders to be less supportive of ERM efforts. Without acceptance of ERM as something strategically worthwhile, it is hard to integrate ERM processes throughout the organization. In those situations, ERM leaders feel like they are pushing ERM up a hill trying to get management's attention and focus. But when executives are enthusiastic about how their ERM programs assist them in managing risks within the context of the organization's strategy they often pull for more risk information to help them make key decisions. It is the **pull from executives** and **boards** for more risk insights that **signals ERM as a value-adding process**.

## SHIFTING THE PERSPECTIVE OF ERM TO ONE THAT IS STRATEGIC

There are several potential reasons why ERM is sometimes viewed as a compliance initiative that must be done rather than something that is strategically valuable. In some cases, the process is overly complicated, requiring business function leaders to complete lengthy forms and matrices that take time away from normal business activities. In other cases, the ERM efforts appear to be like other risk related functions, leading to duplication of efforts. And, for many early-stage ERM deployments there is no consideration of strategies and goals as individuals are prompted to identify and assess risks. Sometimes that leads to push back and resistance of ERM efforts.

Our interviewees shared practices for **gaining acceptance** about the **strategic value** of ERM, such as:

- Obtain input and buy-in from executives first and have them communicate this support widely across the leadership team – this is key to starting a new ERM program.
- Start small and do not try to do too much too fast with ERM, otherwise it may be overwhelming, and any efforts may be abandoned.
- Partner across other risks functions to create more common consistencies between units to share and get information faster.
- Leverage current risk management practices at the organization and build upon them.
- Establish a repeatable and defined process with a regular and planned rhythm. Educate internally so that someone new can pick up the process when they start at the organization.
- Start the risk conversation with strategies and goals and use that as the lens to think about risks. Pinpoint what executives are trying to achieve and then ask what might emerge to make that difficult.
- Focus on generating conversation and dialogue about risks rather than emphasizing adherence to detailed tasks and reports. When we get executives talking about risks, we are on the right track.
- Look for easy risk management wins. Capture success stories of how ERM has been helpful to leadership and seek advocates in business units willing to share their views about the benefits received.
- Ensure continual improvement as ERM matures. Seek feedback regularly about what is working well and what is not. Be willing to listen and adjust.

## Approaches to Acceptance

- **Align** ERM mindset with organization's **strategy**
- Incorporate **familiar** business **terms**
- Reframe risk as a **value** not a hindrance
- **Share openly** across business entities
- Institute **surveys** and **interviews** to flush out top risks
- Work continuously with **risk owners**
- Drive ownership through **inclusion**

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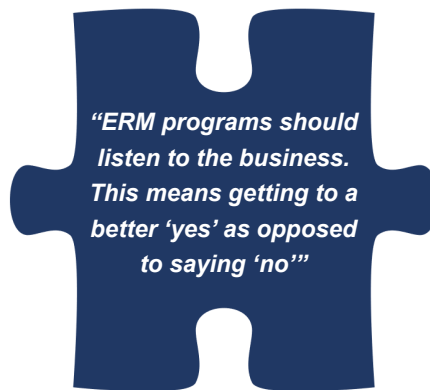
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## LINKING RISK INSIGHTS TO STRATEGIES

Turning point events, such as the COVID-19 pandemic or events in Eastern Europe, have helped organizations **appreciate** the value of having ERM practices in place. Although rates of ERM acceptance have increased in the past few years, there are still key items currently being used to help further embrace ERM as a strategic tool.

Interviewees noted that consolidating risks into **themes** has helped business leaders see the enterprise-wide impact risks might have on their organization if those risks are left unmanaged. That realization has helped others across the organization see the strategic value of understanding risks in advance of their occurrence.

Organizations have been challenged in the past by having to manage a large number of detailed risks causing business leaders to sometimes lose focus on what is strategically most important. Organizations with more mature ERM practices have shifted the focus from massive risk inventories with hundreds of individual risks to **aggregation of risks into risk themes**, where related risks can be discussed and managed as a collective unit. For example, talent and human resource-related risks can be managed as a theme, with risk owners focused on the details of individual, but related risks under that theme. This helps boards and management-level risk committees **focus on resources and capabilities to effectively manage the risk themes**. That simple step has reduced the confusion of managing the ever-changing and overwhelming volume of risks.



Another area of importance that was discussed in different conversations was the need to be more **strategic** about using the **organization’s lingo** rather than a **risk lingo** to discuss risk insights with executives. Unfortunately, many ERM leaders engage in conversations with business leaders using risk terminology (e.g., inherent risk, residual risk, risk appetite and risk tolerances, mitigation strategies, etc.) often forgetting that some executives are less familiar with that terminology and do not use that in their day-to-day conversations and decision making. When ERM leaders shift discussions to include strategic terminology and speak

in terms that reflect core drivers and elements of the organization’s strategic plan, they are more likely to **communicate better with executives** when presenting risk information.

Using practical, positive terms and layman’s language can help eliminate the negative connotations around ERM as well as creating a way for all functions to speak the same language. For example, instead of trying to define the term risk, organizations ask the question *“what truly distracts us from our business from a risk perspective?”* Others talk about **“managing”** vs. **“mitigating”** the risk and

ensure **“opportunities”** are also discussed instead of just downside concerns. Standardization of ERM terms and processes can also create a level of confidence among employees and drive acceptance. When a level of **understanding** has been established, **open discussions of emerging risks** will become easier and more frequent.

### Taking a Practical Approach

One of the main objectives when providing internally focused risk advisory services is to be **practical** about what is currently happening within the organization and the **overall business environment** in which they operate. Understanding the organization’s strategy and helping the client be more comfortable **taking calculated risks** and making more **informed decisions**. One tactic mentioned is to help leaders see that risk management helps provide greater certainty when it is introduced at the right point – focus on **creating success** vs. preventing failure.

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# LEVERAGING DATA ANALYTICS TO ANTICIPATE EMERGING RISKS

The volume of data being generated minute-by-minute for organizations is increasing at an unprecedented pace, reflecting every aspect of our lives, and circulating from satellites in space through the phones in our pockets. According to Forbes (2020), “90% of the world’s data was generated in the last two years with 2.5 quintillion bytes data being created each day.” The data revolution creates endless opportunities to confront the grand challenges and growing level of uncertainties of the 21st century. This applies to ERM as well. The more information available, the more informed the decision. From our discussions, over 70% agree that **leveraging data to create leading risk indicators** can become a **critical asset that enhances the quality of risk insights for decision making** by proactively pinpointing trends suggesting emerging risks.

## USING DATA TO TELL RISK STORY

One common theme we heard throughout our discussions is that **decisions need to be driven more by data, based on facts as opposed to letting emotions** control the risk management actions taken. While everyone appreciates the importance of data analytics and visualizations, insights from our discussions include the following:

- An effective visual based on data helps to **tell the story** and support the discussion with well-informed data and results. Visualization software is becoming an important communication tool for ERM leaders.
- Organizations need to be comfortable with the information and ensure the key data elements are identified, to support the story depending on the **audience** - customers, management and/or executives.
- **Dashboards** that include both performance and **risk metrics** help the board understand what is important and the insights being generated by the organization’s ERM activities.
- While analysis of quantitative data is important, there is still the need for some degree of **qualitative** information. The data itself does not show **how the business feels** about the results.
- Data visualization and analytical skills are necessary for any ERM professional to be able to incorporate the data using various tools to support decisions. Common tools include Tableau and PowerBI.
- Organizations have a lot of metrics due to the high volume of data. The challenge is to identify the most relevant information and communicate it **timely** so that the ERM process is proactive and nimble vs. reactive and after the fact.
- Well-designed key risk indicators (**KRIs**) help the business to **identify** and **understand** roadblocks ahead of time and align actions with the strategy.
- Data analytics should be **integrated** into **everyday business processes**, at all levels throughout the organization.
- Organizations need to spend **more time** in the **analysis phase**, not just the information gathering stage.
- Long term the goal is to transition to the use of **predictive analytics** and **artificial intelligence** to help ERM be more forward-looking.

One consultant indicated that the use of design thinking helps collate ideas from different perspectives, creating myriad benefits, including the involvement of the client’s Chief Risk Officer and/or an ERM executive in developing and learning the process together. This helps to create ownership of the process as well as incorporating accountability into the overall risk process. Many clients are looking to develop their own internal tools and dashboards to manage and report risks and metrics.



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## ADVANCING THE STATE OF DATA ANALYTICS MATURITY IN ERM

Currently, we can divide organizations practicing ERM into three major categories based on the state of data availability: advanced, intermediate and entry levels. Slowly but surely, there is a slow trend within the organizations represented by our interviewees that they are all leaning towards quantifying what has historically been more of a qualitative process. Doing so is already reaping benefits given executives generally prefer data to support key insights in decision making. Interviewees in organizations further down that path have seen a significant jump in senior executive support of their ERM programs.

### Advanced

Industries such as finance, healthcare, and consumer products are rich with data collected and continually flowing in. Since the many of the activities in these industries generate volumes of data, The challenge is **creating relationships** between the amounts of **data** and the **KRIs** that are formed at a board level to draw **useful inferences** that will **support effective decision-making**.

Highly regulated industries such as oil/gas and aviation have a vast amount of internal data available to them but are highly dependent on external factors that might affect how the product is regulated. The major challenge here would be **collection of useful external data** that would **inform the change in regulations** and help predict changes early enough for the entity to **plan for responding and changes in allocating resources**.

### Intermediate

### Entry Level

Nonprofit organizations, outside of healthcare and finance, and those in the early stages of their risk management journey may have limited risk related insights. The **overwhelming amounts of data and analytics may be a hurdle** to establishing data informed ERM. As KRIs are defined for these entities, data will start playing a more prominent role in enhancing their ERM practices.

One of the objectives of data analysis is to strengthen our understanding of the business environment, but also to **support decision-making** in a positive manner. Another goal is to help assess the level of uncertainty.

Several discussions talked about the challenges with identifying relevant KRIs and effectively utilizing them. The value of KRI's is when they are used as an early indicator to highlight potential changes to our risks and may "indicate" something needs to be done. Many individuals talked about the importance of getting ahead of these risks. What are we doing strategically to manage and what more could we do?

**Uncertainty assessment also sits at the core of ERM.** Armed with tools required for uncertainty analysis, decision making becomes more informed and accurate. Integrating this with ERM will aid in developing models for the various KRIs. Combined with a risk appetite that has been set for each of the KRIs, the models will be able to aid strategic decision making and risk mitigation.

While it is easy to go down the rabbit hole of data analytics and its advantages to the ERM process, it is important to remember, as some of the entities interviewed reminded us, that **ERM is an ever-evolving process** for which data is just one of the tools that can be used. If the

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process becomes more focused on data than on governance, dialogue, and implementation of fail safes, it becomes easy to lose sight of the bigger picture and the ERM process once again reverts to being a standard risk management initiative. A balance needs to be struck between use of data analytics to inform decision making and ensuring that there is involvement in the risk management activities using the data by **cultivating a risk culture** within the organization where it will eventually **become a part of day-to-day activity** throughout all business processes of the organization. ERM remains a governing body to ensure the parts fit in place and stay that way.

## Common Tools Utilized for Visualization and Data Analytics

- Excel
- PowerPoint
- PowerBI
- Tableau
- GRC Tools (Archer)
- Internally Developed Tools

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# FOCUSING ON TALENT DEVELOPMENT AND ENGAGEMENT

When considering all the relevant factors of ERM as a profession, talent is one that is a consistent necessity. In discussing insights about success factors for ERM, many of our respondents noted several key skills, tools, and processes that have helped their ERM programs become successful and that will help facilitate continued growth in the future.

## IDENTIFYING TALENT TO SUPPORT ERM PRACTICES

While our respondents have successful ERM initiatives in place at different levels of maturity, none started off with a fully developed risk management program. The pandemic and continued labor shortages have made implementing ERM efforts at organizations more difficult, although they have combated these problems in several ways. Several interviewees shared their insights about the development of their ERM programs and the **essential skills and processes** that went into **creating the talent pool**.

The pandemic brought about some of the most widespread labor resignation bursts in recent history. Referred to as the **Great Resignation**, several events emerged that converged to create a huge exodus from the workforce, particularly in certain industries. Complications triggered by the work-from-home mandate, the closing of a business that lasted for long periods of time prompted a huge section of the labor force to exit the workplace. That then led to a huge competition for talent that motivated others who might not be considering a change to suddenly enter the work force. It has become a risk that is affecting organizations on a global scale.

Many organizations continue to address these labor concerns as it poses a risk to their ability to manage operations and deliver revenue-generating products and services. Having the right talent in place is critical to the success of any organization's strategic initiatives.

As organizations bring in new talent, there is a need to introduce that talent to the organization, including how the organization thinks about and manages risks. Some of our respondents noted that their organizations are investing in resources for **internal training and educational assistance to build more cross-functional risk expertise**. Most respondents agreed that the outlook for risk management talent looks good for the future, citing their recruitment of both experienced industry professionals and recent university graduates.

One respondent noted that the **creation of new divisions** within their organization helped grow the ERM program. This organization's risk management committee divided the roles of its risk management process into four separate departments in order to support the ERM function. This provided an opportunity for individuals with relevant industry experience to enhance their skills in more specific areas. Another benefit was that the **risk committee gained more awareness and insights** into the risk implications for each departmental section. Understanding where to properly integrate talent within a business will lead to better utilization and a more efficient flow of information.



### The Ideal ERM Candidate

- Natural problem solver
- Comfortable presenting strategic information
- Knows how to ask the right questions

#### Soft Skills

- Communication
- Critical Thinking
- Listening

#### Technical Skills

- Data analytics
- Industry Knowledge
- Special Training

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## DEVELOPING BUSINESS KNOWLEDGE AND INSIGHTS

Individuals who are entering into the realm of risk management, or those who are developing new ERM programs, need to understand the **nature of what drives their business and the current landscape of risk** to succeed in the future. Our respondents noted several skills deemed necessary for success.

One area that was mentioned frequently was the importance of having **business and industry knowledge**. Employers want to see risk professionals not just as a group of people that can report risk findings, but they also want to have individuals who are well versed in the industry they are working in and can gather insights to be used in the future. Several noted the importance of having a more **formal education and hands on experience** in ERM. Being more educated about risk concepts would allow new risk managers to evaluate better risk decisions and opportunities. One respondent captured that this way: *“Somebody, somewhere, knows something.”* An important aspect of ERM is getting these people into the **key positions** where they can be the most useful for the organization. Utilizing risk managers who have a solid foundation of ERM, as well as industry knowledge, as well as a specific area of expertise, will allow businesses to be able to successfully identify, assess, and manage risks.

**Communication** skills are also essential as it is important to **listen to stakeholders** throughout the organization since most enterprise risks are cross-functional. Hearing about things from a 360-degree point of view provides insight from different perspectives. Individuals should also be able to **influence communications** and help leadership see the vision and think more strategically.

## STRENGTHENING FUTURE TALENT POOL OF RISK PROFESSIONALS

*“Good business leaders should make great risk managers with the ability to make decisions quicker and not get bogged down with details.”*

Staying informed about the current enterprise risks and opportunities and analyzing data related to those outlets can give organizations an edge. Almost every respondent indicated that **data analytics** is a concept that needs to be further developed in the future; new risk managers need to know how to **utilize and gain inferences from data**. Making fact-based decisions and inferences will help develop ERM into an integrated part of the business. However, it is important to also consider that fact-based decisions will only be as effective as the data put into them. **Data visualization tools and dashboards** will give executives and management a better understanding of how **individual risk practices affect business** segments. They allow ERM professionals to leverage the data from their analytics, statistics, or actuarial departments and **convey that information** to management and executives in a **meaningful way**. Structuring an organization’s business model around integrating data analytics with strategy gives organizations a better idea of how to use the relevant information to **make better informed decisions**.

Several skills were mentioned by respondents that provide insight into what employers are looking for in risk leaders.

Some of the most commonly sought-after skills include having **data analytics and visualization skills, understanding of a business’s industry and environment, and leadership capabilities**. One respondent noted that being comfortable with all types of

*“Somebody, somewhere, knows something.”*

Staying informed about the current enterprise risks and opportunities and analyzing data related to those outlets can give organizations an edge. Almost every respondent indicated that **data analytics** is a concept that needs to be further developed in the future; new risk managers need to know how to **utilize and gain inferences from data**. Making fact-based decisions and inferences will help develop ERM into an integrated part of the business. However, it is important to also consider that fact-based decisions will only be as effective as the data put into them. **Data visualization tools and dashboards** will give executives and management a better understanding of how **individual risk practices affect business** segments. They allow ERM professionals to leverage the data from their analytics, statistics, or actuarial departments and **convey that information** to management and executives in a **meaningful way**. Structuring an organization’s business model around integrating data analytics with strategy gives organizations a better idea of how to use the relevant information to **make better informed decisions**.

Several skills were mentioned by respondents that provide insight into what employers are looking for in risk leaders.

Some of the most commonly sought-after skills include having **data analytics and visualization skills, understanding of a business’s industry and environment, and leadership capabilities**. One respondent noted that being comfortable with all types of

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information, both structured and unstructured, gives a significant advantage. Another respondent mentioned having the ability to contextualize internal and external perspectives on data and being able to **convey that information to stakeholders** who may not completely understand those concepts, is one of the most important parts of ERM.

Most of our respondents believe that their organizations are properly equipped to handle **talent needs** in the **near future**. While some felt that the talent landscape was lacking for a specific industry, most had a positive outlook about finding talent overall. Individuals varied about the source of talent - from recruiting recent university graduates toward individuals with more industry and hands on experience.

Another common theme among all organizations was **succession planning and ongoing training and development** of a risk-forward mindset.

One recent risk manager was specifically hired to help give their own insights and a fresh perspective about the state of risk management at the organization. Another organization is considering a **rotation program** through its ERM practice to give employees a more **holistic view** of the organization from different perspectives. Ensuring that new risk professionals have the tools and knowledge to succeed, through training and mentorships and by providing opportunities, gives organizations a better sense of an embraced risk culture.

If we want to manage risk effectively and efficiently, then it is important that everyone understand what this means for their organization. Not everyone sees the risks in the same way, how they occur, where they occur. It is helpful to educate individuals about the organization's definition of risk, including the upside of potential opportunities, what risks are and are not acceptable and the process to communicate them up to management. Most importantly, everyone should think about risk and strategy together. Education and awareness about risk management can help organizations maintain a competitive edge.

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The nature of our discussions continued to focus on how ERM would look in the future and what is needed to prepare the next generation of ERM leaders. There are four **key take-aways** or themes regarding the future of ERM:

## 1. ROTATION

Several discussed the benefits of utilizing a **rotational program** to educate and provide hands on experience related to risk management opportunities to develop future business leaders. Most respondents believe that the **Chief Risk Officer (CRO) role** should be considered as part of a rotation for any leadership development. Several believed that spending time in risk management functions would also be a **valuable experience for mid-level management** to provide them with a view of the organization's business from an enterprise-wide risk perspective. This is a similar concept that organizations use for areas such as internal audit.

## 2. INTEGRATION

Most of our interviewees foresee that ERM will be **integrated throughout all business activities** assisting business leaders with thinking about risks, as well as potential opportunities. The more that the ERM and strategy processes are integrated, the more that discussions about risks and opportunities will become a seamless process. One of our respondents noted that *"ERM is like a muscle. It is something that needs to be exercised and worked on constantly in order to see the results one wants."*

## 3. FOCUS ON FUTURE RISK

Organizations with more mature ERM practices believed it was time to **focus on emerging risks**, including environmental, social and governance (or ESG) and the capabilities of future talent to support the needs of longer term ERM initiatives. Having the skills and mindset to look forward is important to help organizations be **prepared for future uncertainties** and demonstrate resilience as new, emerging crises emerge.

## 4. THE NEXT LEVEL FOR ERM PROGRAMS

Consultants noted that clients are looking for assistance to **implement current best practices** to build upon existing ERM programs. The goal is to think of ERM more as a **performance tool** used by management at an executive level. Some indicated that management forums are being used to evaluate risks from different perspectives of the business. These discussions have helped leaders across the organization **identify areas of improvement**, by focusing on the question: *What do we need to do differently in the future to improve our ERM Program to remain resilient and competitive in our industry?*

**In summary**, key points to provide a foundation for building and strengthening any organization's ERM program include:

1. Supporting an appropriate **culture** that emphasizes and **embraces risk management**
2. Using relevant **data** and **focused visualizations** to emphasize risk profiles and that tell the risk story to management and the board
3. Recruiting and retaining the right talent to help **enhance ERM efforts**
4. ERM is **not a one size fits all** but needs to be adapted to the culture and existing processes of the organization.

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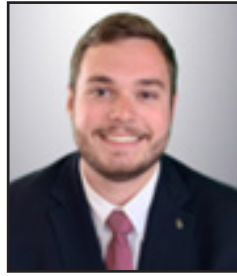
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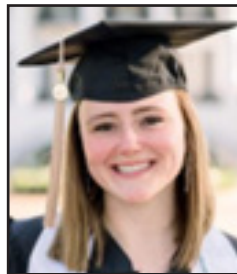
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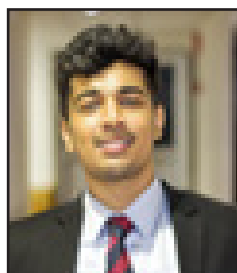
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