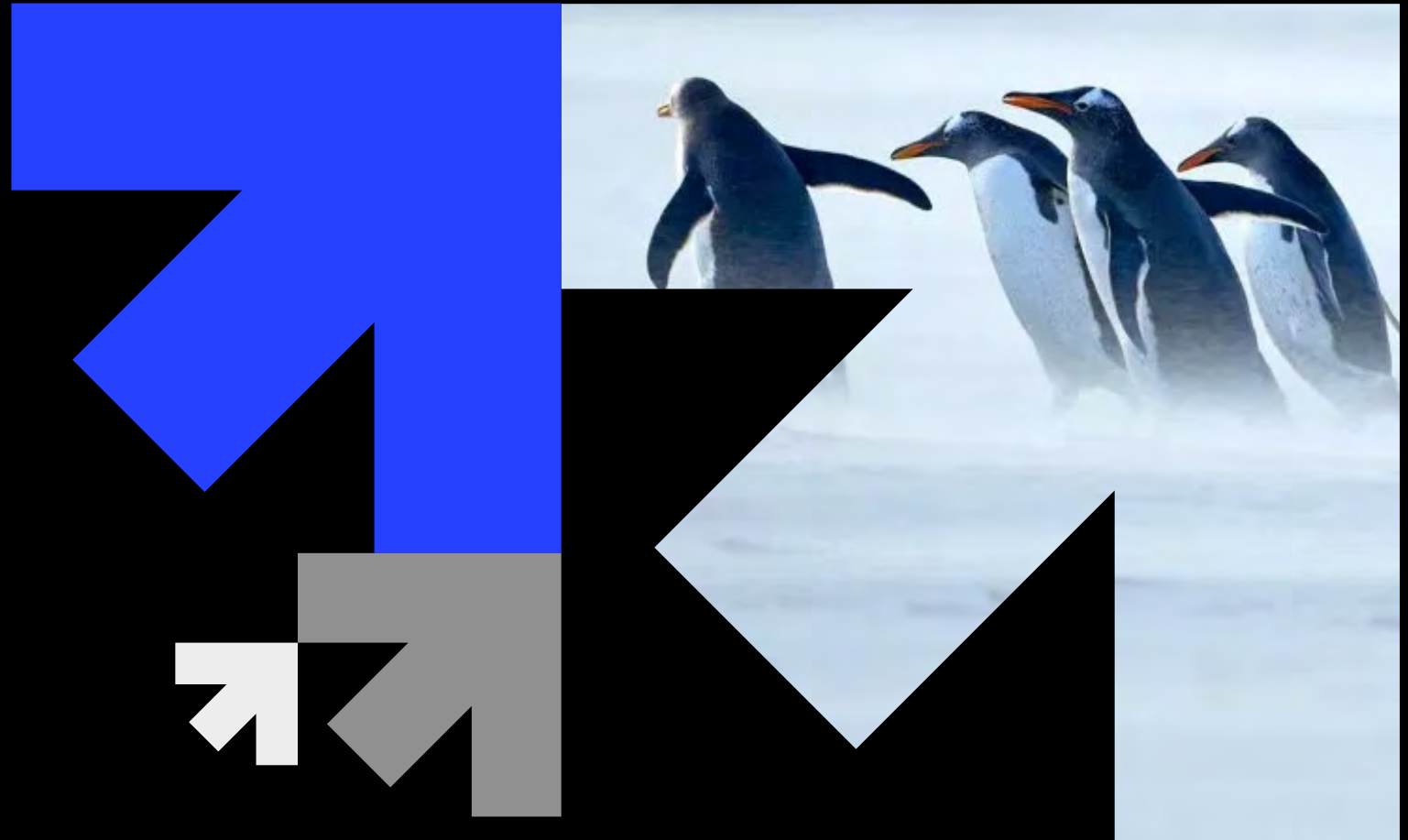


What Makes A Successful Risk Leader?

October 2018



START



Introduction

Almost every industry is in the grips of a seismic shift driven by technology. This is creating challenges and opportunities in equal measure for all organisations - big or small, old or new. New business models, emerging new players, speed and ease of change, need for greater agility and flexibility, increasingly sophisticated and more pervasive threats, changing skillsets and unprecedented levels of disruption are now the 'new normal'.

A critical capability required in helping organisations deal with this fast changing and increasingly complex world, is effective risk management. It is universally recognised that risk management capabilities need to evolve to stay in touch with the changing environment - it could even be argued that they should be pushing to get ahead of the curve to provide a robust framework to help the business manage risk properly through the change.

This is a huge challenge at a time when the headwinds around managing cost in many of these organisations are blowing their hardest. This means improvements to frameworks, processes and methodologies, it means better tools being used more effectively, it means better trained people with deeper skills and expertise, it means better use of the data and information available inside and outside the business but, more than anything, it means smart, empathetic, consistent and effective risk management leadership - across all three lines of defence and at all levels of the business - to make things happen.

In talking to current and aspiring risk leaders, as well as those who have a vested interest in their success such as other executives/senior management and Non-Executive Directors, it is clear that risk leaders face some very unique demands, as well as having had such a focus in the past on technical skills and experience. Getting a handle on how we prepare our future leaders in the risk arena warrants some focused attention.

In doing that a number of important questions need to be considered:

- What does it take to be a successful risk leader in terms of competencies, behaviours, personal qualities and critical learning experiences?
- How does this profile differ from other leaders in an organisation?
- Will the success profile change in shape or emphasis over the next 3-5 years?
- How does the current crop of risk leaders stack up against the profile? Where are there skills gaps, if any?
- How good is the support given to help with their development?

A review of existing research in this area highlights a lack of data driven insights, as well as a lack of focus on the softer side of leading in a modern day organisation. Whilst largely anecdotal, it is widely recognised that of all the Executive Officer roles, the one that turns over the most frequently is the Chief Risk Officer - why is this?

We all have our theories but rather than continuing to just talk about it, we decided to look into this in more detail and to carry out some original research. We have teamed up with the Institute of Operational Risk to carry out a programme of research activity.

This report is the result of that research - a combination of in-depth interviews with a range of current leaders and senior stakeholders, a survey completed by over 200 risk practitioners and the practical insights of the leaders in our organisations representing almost 80 years of knowledge in this area. We are viewing this report as something that stimulates debate around this topic and hopefully results in some specific actions being taken at an individual, organisational, industry or wider professional level. We hope you find it interesting and thought-provoking.

Dougie McAndrew, Director



Craig Simpson, President



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➤ What Have We Found?

From a combination of the in-depth interviews, survey results and our collective insights around risk leadership, we have identified six key findings – and related analyses – that we believe will impact how risk leaders are selected and developed going forward...

➤ What have we found?

Risk leaders have to be different

1

It is clear that the role of a risk leader is quite different to other leadership positions in an organisation.

The unique demands placed on risk leaders to continually challenge colleagues – being a ‘critical friend’, to focus on what could go wrong, to understand all aspects of a business – up, down and across – takes a distinctive type of professional.

It is time that the capabilities, practical experiences and personal qualities needed to be successful are isolated and developed in a more systematic and purposeful way.

Emerging consensus on what ‘good’ looks like

2

Risk management, in its current form, is still evolving as a profession.

As such, there has been an inconsistent picture of what ‘good’ looks like for risk leaders. Perceived wisdom for a long time has continued to place a significant emphasis on technical prowess and core leadership skills.

However, against a backdrop of technology driven change, cost pressures and the expectation that Risk brings more value to the table, some consensus is emerging around the capabilities, critical experiences and personal qualities that are required to lead effectively in this context.

Risk leaders are born not made ... ish

3

Whilst deliberately provocative, there’s some truth in the statement: *risk leaders are born not made*.

Our evidence confirms that some of the most critical capabilities that underpin a risk leader’s success are also perceived as the most difficult to acquire, learn or develop. This largely reflects the fact that the most important factors in success are trait driven or can only be developed through certain key experiences, rather than through more traditional development methods.

This raises some important questions for the future selection and development of risk leaders, as well as for the inherent culture of the organisation.

What got you here, won’t get you there

4

Traditionally risk leader development has tended to focus on developing the skills, knowledge and behaviours needed to be successful. Not enough focus has been placed on qualities that can get in the way of progress – derailers. These can be thought of as strengths that got the person this far in their career, but which can derail them in a leadership role. Given that these tend to kick-in under high levels pressure, they can often be hard to spot until it is too late.

Isolating some of the key risk leader derailers allows individuals/organisations to ask : are they a risk and what can we do to mitigate them?

Current crop of leaders will need to adapt

5

Having established what it takes to be a successful risk leader, we explored how the current crop of leaders stacked up against this success profile.

Overall risk leader performance could broadly be viewed as ‘fit for purpose’ based on what is important now.

However, when we look out over the next 3-5 years, there are a number of areas that leaders need to focus on to adapt to the changing business environment and the expectations of them as leaders from all stakeholder groups.

Greater focus on experience based development

6

A number of the key capabilities and qualities of successful risk leaders do not lend themselves readily to traditional forms of development. As a result, organisations need to sharpen the tools they use to assess and select risk talent.

Furthermore, exposure to a range of challenging career experiences is critical to the development of an effective risk leader. However, at present, the majority of available development input involves technical skills training and traditional leadership soft skills development. Many respondents were overwhelmed by the quality of the development available to them – time for a change?

1 Risk leaders have to be different

It is clear that the role of a risk leader is quite different to other leadership positions in an organisation. The unique demands placed on risk leaders takes a distinctive type of professional.

It is time that the capabilities, practical experiences and personal qualities needed to be successful are isolated and developed in a more systematic and purposeful way.



There are a number of unique demands placed on risk leaders, that although present in other disciplines, are not as heightened or critical to consistent success. These include:

- Inherent requirement to challenge colleagues who are trying to drive the business forward – avoiding being seen as the dreaded ‘business prevention unit’! All the time trying to position as a ‘critical friend’.
- Continued focus on what could go wrong – whilst clearly not the sole objective of risk leaders, it does get a disproportionate level of emphasis. This is particularly relevant in Financial Services where the regulatory environment places a huge burden on senior leaders to get things right and to take personal accountability.
- Don’t often get a chance to visibly demonstrate the value they are delivering to the business; this is happening at a time when even more resource is required to be invested in risk management and compliance.
- A need to understand all aspects of a business; joined-up, big picture thinking needs to coalesce with having a grasp of detailed policies, processes, numbers and controls – not an easy balance to strike.

If you add to this the fact that many risk leaders emerge from inherently technical backgrounds, you have quite a unique leadership challenge.

These aspects, among others, put pressure on certain skills, behaviours and personal qualities that are not as prevalent – in combination – in most other leadership roles. It also means that risk leaders really benefit from going through some specific critical experiences in their development path.

“To be a successful Risk leader you need to be; a psychologist, a salesman, a policeman, a coach and a teacher. It is also critical you are willing to really understand the business you support so that you can have great conversations as two professionals with different but supporting skills and objectives.”

**George Clark,
Chair of the Institute of Operational Risk**

This is a view that is not universally recognised or understood within the risk management profession, let alone within the wider business environment.

The upshot is that the very specific priorities and demands of risk leadership roles are not properly taken into account when putting the necessary support in place to help with career planning and development. This needs to change.



**2**

Emerging consensus on what ‘good’ looks like

Risk management, in its current form, is still evolving as a profession.

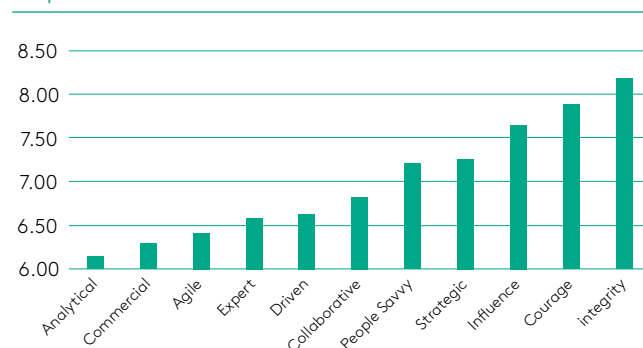
As such, there has been an inconsistent picture of what ‘good’ looks like for risk leaders. Perceived wisdom for a long time has continued to place a significant emphasis on technical prowess and core leadership skills.

However, against a backdrop of technology driven change, cost pressures and the expectation that Risk brings more value to the table, some consensus is emerging around the capabilities, critical experiences and personal qualities that are required to lead effectively in this context.

To create a Risk Leader profile, we reviewed existing competency frameworks, and leveraged our collective knowledge and the insights of a number of experienced leaders interviewed as part of our research. We also surveyed over 200 risk professionals across a range of organisation sizes, industries and locations, as well as getting a representative range of experience, and asked them what they believed were the most important capabilities to be successful.

Respondents were asked to rate the importance of each competency to successful performance, the results are shown below.

Importance Now



The first thing to notice is that these are all important, with the lowest averaging over 6 out of 9. So we are looking at the right things.

Importance of being courageous is distinctive to risk leaders

The second thing that jumps out is what tops the list: Integrity and Courage. In fact Integrity was the stand-out competency with almost 70% of respondents deeming it to be ‘critical’. This is not really a surprise, Integrity is seen as ‘table stakes’ for all leaders in most organisations. The importance of Courage is distinctive to risk leaders and reflects the unique nature of the role, in particular the need to challenge others, offer a firm view and show backbone. It is not something that is regularly called out in other roles – certainly not at such a high level of importance. It is worth noting that the most senior risk leaders rated Courage their number one competency. This suggests that the more senior one becomes as a leader, the clearer it becomes just how important Courage is – in all its forms.

Being an expert is no longer seen as a top priority

The third thing that warrants attention is that being an Expert, whilst important, didn’t make the top 5; this is particularly interesting given the historic perception that technical capability is king in risk management. This is a view that has been reinforced in Financial Services through the changing nature of regulation and the expectations of regulators, where technical backgrounds are still highly valued for senior leadership roles, including Chief Risk Officers.

“There’s no doubt if you want to be considered as a CRO candidate in a retail bank, an extensive background in credit risk is almost a prerequisite. With the biggest residual risks now related to technology, how long will it be before we see a CRO with an IT background. I still think we are a long way off that.”

Partner in a Big 4 advisory firm



2

Emerging consensus on what 'good' looks like

Size is important...

In looking at the inherent size of organisation, there is quite a bit of variation around what is important to the consistent success of risk leaders. For example:

- Overall the Large (2001-5000 employee) companies rated the leadership competencies higher across the board.
- The Largest (>5000) companies rated Courage as their number 1 competency, whereas Medium businesses (250-2000) rated it as their 4th most important.
- Smallest businesses (<250 staff), unsurprisingly, rank Agile and being Expert higher up their list of priorities.

This points to the fact that a 'one size fits all' approach to developing successful leaders is not optimal. Taking the time to understand what is important to your organisation is essential.

Key Challenges (% of respondents who included in their top 3)



Impact of technology is the greatest challenge leaders face

We were keen to understand how the requirements of risk leaders might change over time. To provide context, we sought to understand the key challenges risk leaders face.

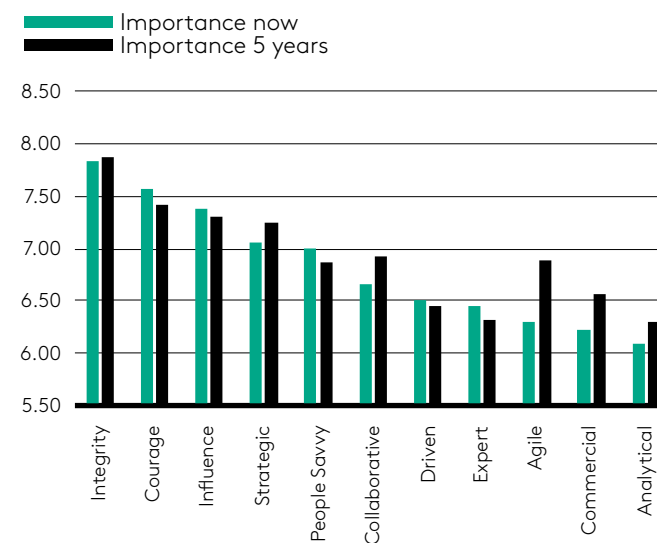
As you can see from the chart below, the most significant perceived challenge was very clear; the growing risk associated with technology driven change (over 70% of respondents rated it among their top 3 challenges) – the next 6 challenges were rated significantly lower.

The priorities differed slightly depending on seniority; more senior respondents rated demonstrating the value of risk management and accessing talent as the second and third most significant challenges, whereas less senior leaders saw leveraging the mountain of data and continuing pressures on cost as their biggest challenge outside technology.

Priorities change in line with key challenges faced by leaders

With that back drop, we asked how the required leadership capabilities may change over time – looking out up to 5 years.

Importance - 5 years



Overall the priorities were broadly the same with some notable movements. The Top 4 factors were unchanged. Collaborative replaced People Savvy at #5. The other significant movers were Commercial acumen, Analytical and Agile. In a world dominated by the impact of technology where leaders are being asked to do more with less, it makes sense for organisations to put more emphasis on these competencies.

3 Risk leaders are born not made ...ish

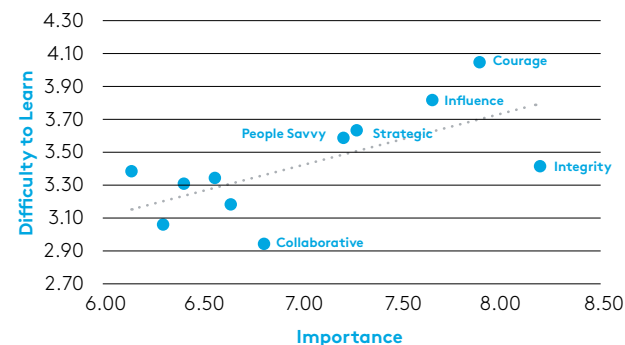
Whilst deliberately provocative, there's some truth in the statement: *risk leaders are born not made*.

Our evidence confirms that some of the most critical capabilities that underpin a risk leader's success are also perceived as the most difficult to acquire, learn or develop. This largely reflects the fact that the most important factors in success are trait driven or can only be developed through certain key experiences, rather than through more traditional development methods.

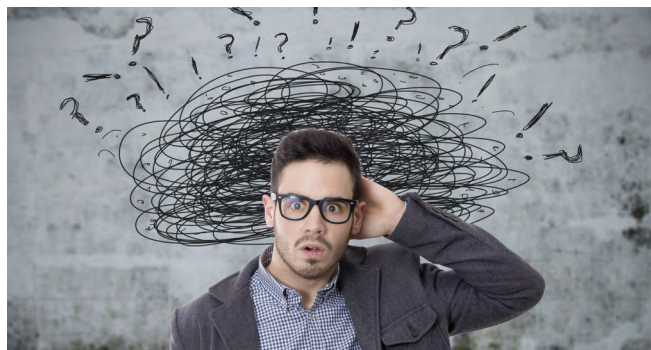
This raises some important questions for the future selection and development of risk leaders, as well as for the inherent culture of the organisation.

We asked respondents to rate (on a scale of 1 to 5) how difficult each of the competencies were to acquire or learn.

Importance vs. Difficulty to Learn



The level of difficulty broadly increased in line with importance – with most being close to the dotted trend line. Whilst not unexpected, it is helpful to have it confirmed by the survey.



Understanding the 'DNA' of a risk leader?

Two significant outliers are Integrity and Collaborative. Relative to their importance, they were seen as easier to acquire/learn than the other critical capabilities.

The likely explanation here is that both of these qualities are 'table stakes' at all levels of risk leadership. Integrity goes to the heart of the Risk function's role in the organisation, and as such one would not get far in their career in risk without it. Similarly, like all support functions, risk leaders need to be Collaborative in order to get things done across functional boundaries. The fact that respondents rated it lower in terms of difficulty to learn and relative importance may well reflect the fact that it is so foundational and core to everyday behaviour that it is taken for granted. Certainly, all of our experience tells us that non-collaborative individuals tend to "max out" early on in terms of leadership potential. Due to their propensity to rub people up the wrong way, they tend to limit themselves to inward facing, expert roles.

The hardest quality to acquire or learn was deemed to be Courage. The leaders we interviewed defined courage as as a willingness to challenge others, make tough choices, confront problems and be "prepared to ruffle feathers" – sometimes it can be a lonely place!

Our work with leaders and research in the field would corroborate that Courage is indeed difficult to acquire as it involves a combination of personal qualities including self confidence, resilience and assertiveness. In addition, it is forged through successive exposure to 'high stakes' career experiences.

"Courage is neither an intellectual quality, nor can it be taught in the classroom. It can only be gained through multiple experiences involving personal risk-taking."

Bill George, HBS 2017

3 Risk leaders are born not made ...ish

Getting the culture right is critical for courageous leadership

Finally, there is the impact of organisational culture on how people act and develop. It takes the right type of culture within the business for leaders to feel confident and comfortable to be courageous in their decision making, and in their willingness to challenge and call things out at a senior level.

From our discussions with senior risk leaders, there is no doubt that an environment that actively seeks out and welcomes challenge, rewards a willingness to speak out and positively supports leaders who 'put themselves out there' on a regular basis, will develop better risk leaders and a deeper pool of talent to choose from.



"What I like about this team is how we're always upfront and supportive of each other."

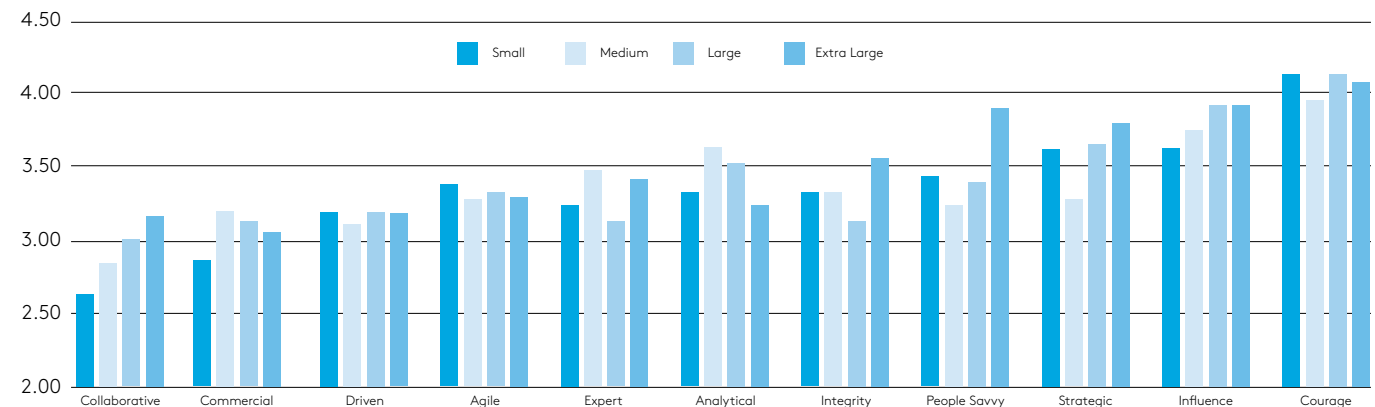
Development challenges change as you progress in your career

There are some interesting differences depending on seniority. The most junior risk professionals rate Agile as one of the easiest skills to acquire/learn; whereas senior risk leaders rate it more difficult to learn. Given the need for everyone to be more Agile going forward, addressing this development gap should be a priority.

Unsurprisingly being an Expert is deemed particularly challenging for junior levels. As expected, it drops down the list as one moves into middle ranks and re-surfaces as a key development challenge at the most senior levels.

This 'technical gap' is something that emerged in our discussions with executive leaders and reflects the fact that most senior development support is focused on broader, more strategic leadership. We have found that there is also a lingering doubt in the minds of leaders who have progressed on the strength of their technical capability, that they are getting further and further outside their comfort zone.

Difficulty to learn - split by organisation size



Big is not necessarily best when it comes to development

Size of organisation also has some influence over the perceived difficulty to acquire or learn certain competencies or capabilities.

Having looked in detail at the results by size of organisation, we noted the following (as shown in the chart below) :

- Risk professionals in medium sized organisations find it easier to learn to be Strategic than in the small and large businesses – almost certainly reflecting the challenge of 'getting your arms around' a large business while not having to be down in the detail as much as the very small organisations.
- It is not as difficult to be Collaborative and Commercially orientated in small organisations – this is part of the day job and is relatively easy to achieve given the scale and level of complexity.
- Being People Savvy in the largest businesses is deemed significantly more challenging, which is likely to reflect the more complicated political dimension and more complex, involved stakeholder management.

4 What got you here, won't get you there

Traditionally risk leader development has tended to focus on developing the skills, knowledge and behaviours needed to be successful.

Not enough focus has been placed on qualities that can get in the way of progress – derailers. These can be thought of as strengths that got the person this far in their career, but which can derail them in a leadership role. Given that these tend to kick-in under high levels pressure, they can often be hard to spot until it is too late.

Isolating some of the key risk leader derailers allows individuals/organisations to ask: are they a risk and what can we do to mitigate them?

A derailer is not just a weakness. We all have many weaknesses that we may never choose to improve or need to master. A derailer is a weakness that requires improvement if we are to realise our potential. You can recognise a derailer if: (1) it has the potential to limit your progress; (2) it can't be compensated by multiple strengths; and (3) it can be linked to a talent/strength taken to an extreme.

The significance of derailers increases with the level of leadership. Given the scope of a risk leader's responsibility, the impact of ineffective behaviour reverberates throughout the organisation taking a toll on both people and performance.

Whilst, by their very nature, derailers are personal and specific to individuals, having an appreciation of those that are more likely in your organisation – based on what you do, the culture you create and the functional area in question – can provide useful insight into potential “red flags” to pay attention to in risk leader selection and development.

To that end, we asked the respondents to identify the top 3 derailers for risk leaders. We received almost 400 individual responses. The table on the right summarises the consistent themes that emerged.

DERAILER	RISK LEADER SPECIFICS
Too much in the detail	No big picture view; comfortable in the technical details; recognise when something is 'good enough'
Not a team player	Silo working; struggles to delegate or empower; places personal agenda before the team; won't collaborate with the business
Closed-minded	Stuck in the past – 'this is how we do it'; reluctance to embrace new ideas; lack of external perspective
Technical arrogance	Not listening to business; over-confidence; technical arrogance; disconnected from the business
Wedded to the process	'Tick the box' approach; fixation on frameworks; lack of pragmatism; not agile; 'computer says no' mind-set
Focus on the downside	Always thinking about what could go wrong; lack of focus on opportunity; being a blocker rather than an enabler; points out problems without view on solutions
Lacks confidence	Uncomfortable challenging senior leaders; won't make decisions; fear of getting it wrong
Lacks commercial appreciation	Failure to understand the business – end to end; ignores commercial imperatives; can't articulate value of risk management to the business
Inconsistent	Starter not a finisher – no follow through; blows with the wind, rather than led by consistent values and standards
Reactive not proactive	Lack of/poorly articulated vision; not driving progress or improvement; always in 'issue management' mode
Eager to please	Takes on too much without skills or resources; over promises and under delivers; team takes the brunt

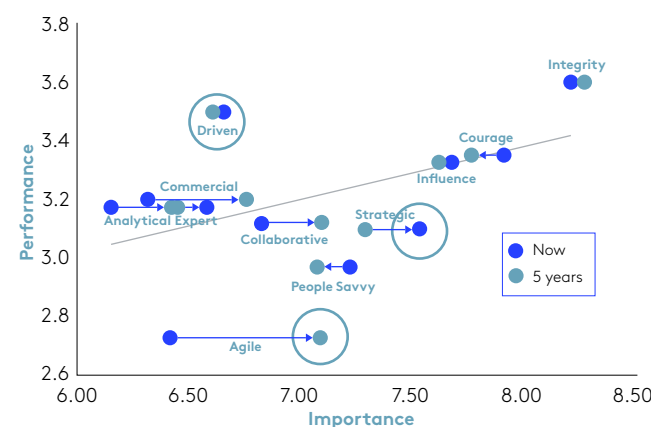
5 Current crop of leaders will need to adapt

Having established what it takes to be a successful risk leader, we explored how the current crop of leaders stacked up against this success profile. Overall risk leader performance could broadly be viewed as 'fit for purpose' based on what is important now.

However, when we look out over the next 3-5 years, there are a number of areas that leaders need to focus on to adapt to the changing business environment and the expectations of them as leaders from all stakeholder groups.

We asked respondents how effectively the current crop of risk leaders are performing against these key priorities. In the chart below we compare average importance scores (on a 1-9 scale, with 9 being Critically Important) – both now and in 3-5 years time – against average performance scores (rating from 1 – Skills Gap to 5 – Outstanding Capability). It presents an interesting picture.

Importance vs. Performance



'Fit for purpose'?

Overall performance averaged slightly above 3 on a 5 point scale – with the highest average rating of capability being 3.6 (Integrity) and the lowest, 2.7 (Agile). Influence, Courage and Integrity all scored highly in terms of perceived capability of current leaders which aligns well to their overall importance – both now and in 3-5 years. This is reassuring – yet not cause for complacency.

Strategic capabilities and People Savvy emerged as two of the most important competencies, yet both were rated lower in terms of relative performance.

Need to adapt to the changing business environment

Agile was a significant outlier with the capability of leaders being seen as quite mixed. This is particularly significant when we consider that it is also the capability that sees the greatest increase in importance over the next 3-5 years. This is linked to the dynamic business environment and the need for organisations to come to terms with the demands of an increasingly technology driven business model and to deliver the risk agenda in a more efficient and effective way.

"It's very easy to knock risk leaders. The role places huge demands on key relationship skills like delivering difficult messages, influencing senior people and reading situations politically. None of which were valued or nurtured in the early part of our careers. It was all about technical expertise."

Former Chief Risk Officer, UK Challenger Bank



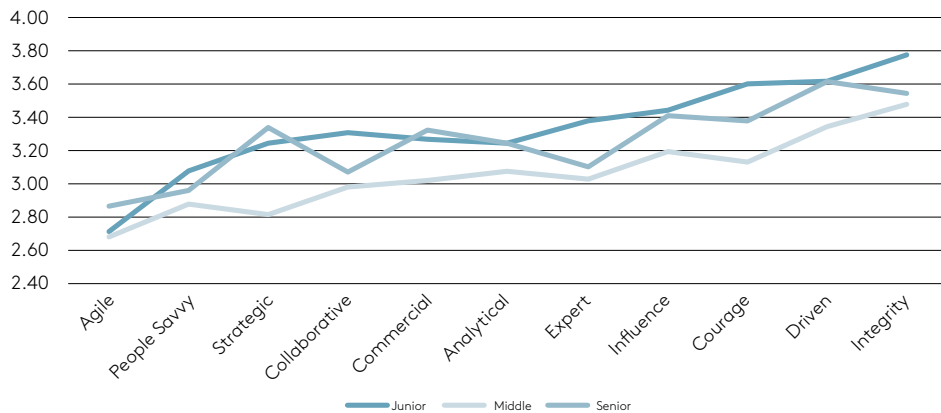
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Current crop of leaders will need to adapt

Is it turkeys voting for Christmas?

As the survey respondents were a relatively experienced group of risk professionals, a majority of whom would be considered 'leaders', we have split the results by experience – with 'junior' being risk team members or those relatively new to risk leadership – to potentially get a more objective view on the perception of leaders' capabilities across the competencies.

Importance vs. Performance



The first thing to notice is that there is a high level of consensus across the groups. At all levels, Integrity, Driven, Courage and Influence are the highest rated competencies in terms of current performance. Interestingly, there was a lot more consensus between the junior group and the senior group (Director, Heads and Executives). This likely reflects the unique challenges middle managers commonly face.

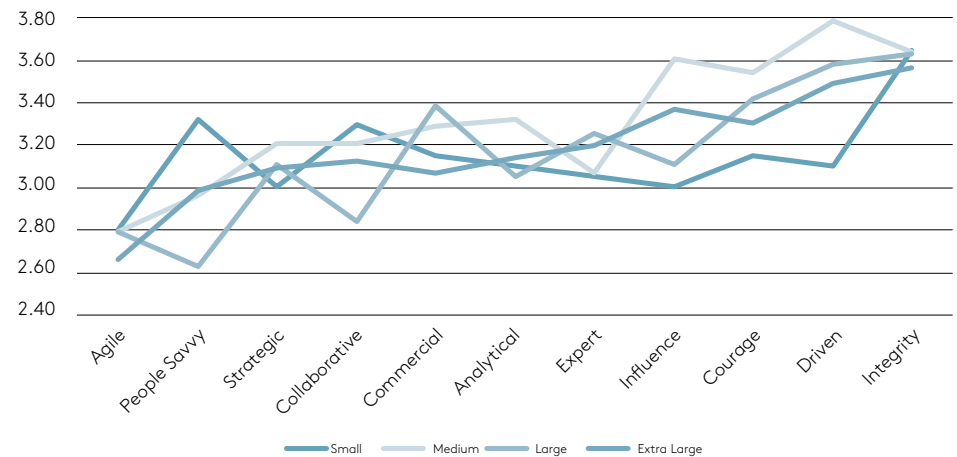
"Mid level managers are often the victims and carriers of change [finding] themselves stuck in between various stakeholder groups which can produce relentless and conflicting demands"

Anicich and Hirsch, HBR, 2017

Is bigger better?

Does performance vary across different sizes of organisation? Are leaders as effective in the same areas irrespective of the size of the organisation?

Performance - by size of organisation



As shown in the chart above, there is not a huge amount of variation in the overall performance across different sizes of organisation. However there are some marked differences in ratings of performance in selected competencies – particularly between the smallest firms (<250 staff) and all the other groups.

The stand-out difference relates to People Savvy. Small firms rated this the second highest performing competency, whereas all other groups rated this as the lowest performing competency. On the flipside, small firms ratings of Courage and Drive were much lower than the other groups.



6

Greater focus on experience-based development

A number of the key capabilities and qualities of successful risk leaders do not lend themselves readily to traditional forms of development. As a result, organisations need to sharpen the tools they use to assess and select risk talent.

Furthermore, exposure to a range of challenging career experiences is critical to the development of an effective risk leader. However, at present, the majority of available development input involves technical skills training and traditional leadership soft skills development. Many respondents were underwhelmed by the quality of the development available to them - time for a change?

Which experiences are most important in preparing an individual to be a successful risk leader? Individuals rated the importance of key experiences to prepare to be a successful risk leader from 1 (Minor Importance) to 9 (Critically Important). The average ratings across respondents are shown in the chart below.

Critical Development Experiences



We collated the shortlist of critical experiences based on our conversations with senior risk leaders and our collective knowledge and experience working with leaders across a range of organisations and sectors.

For this reason, all of the experiences we surveyed can be viewed as important, so the ratings provided by respondents reflect relative 'criticality' - explaining why the top 5 experiences averaged 6.5 or more out of 9 on our criticality scale. Our findings indicate:

- 'High levels of responsibility' was the stand-out experience needed by aspiring leaders. Almost 50% of respondents rating it a 9 – the second most critical was almost half that number. Over 90% rated it 'Very Important' to 'Critical' (7, 8 or 9 on the scale). This involves "experience in engaging, influencing, challenging and being held accountable by senior leaders."
- 'Overcoming adversity' was the second most critical experience – reflecting the challenging nature of risk management and the fact that one only really gets a chance to demonstrate value in difficult circumstances or when something goes wrong.
- There was consistency in ratings across different levels of experience with all levels selecting the same top 5 critical development experiences.

The strong consensus can be used to inform a developmental roadmap to prepare future risk leaders.

"The work is increasingly demanding and operating environments are increasingly complex, organisations need to support the personal development of risk leaders to enable them to perform at a high level, but also to avoid burn-out."

Senior Risk leader, large UK bank



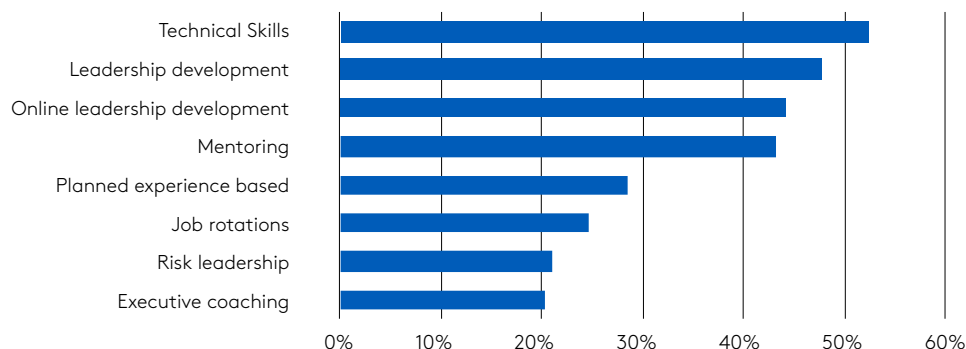
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Greater focus on experience-based development

Mismatch between what's available and what's needed

The chart below shows a picture of the types of development support available to the risk professionals surveyed.

Availability of development support (%)



Overall the availability of leadership development support is variable with only one development type – technical skills – consistently on offer to >50% of respondents. Traditional leadership skills courses – both in person (48%) and online (44%) – were the next most common mode of learning available to our respondents.

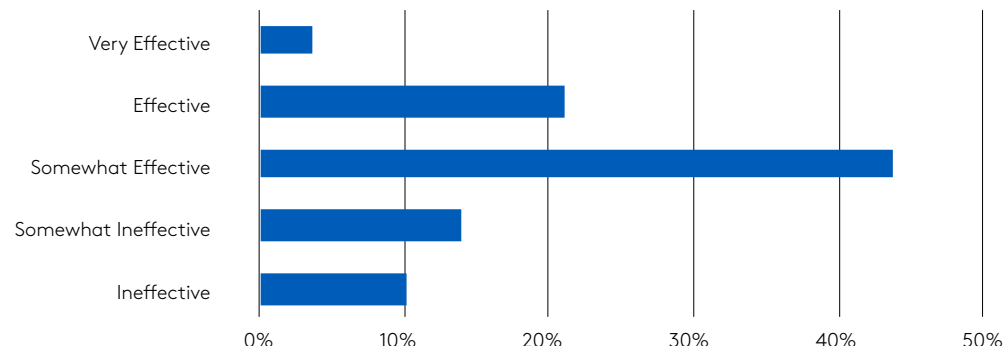
It is worth noting that over 40% of respondents were offered some form of mentoring. This is encouraging if done properly, however, because it is a lower cost option and less disruptive than other forms of support, it is easier to offer – ‘development on the cheap’! Assessing its effectiveness is important.

The key takeaway here is that the type of development offered does not align with the experience or competencies deemed necessary for future success. Despite the importance of critical experiences this type of learning is only being offered to around a quarter of respondents in any planned or intentional way.

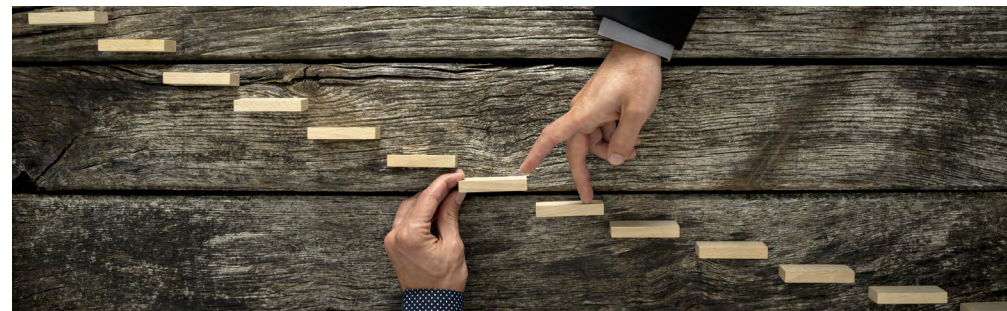
Almost a quarter rate support ineffective

The simple chart below shows how effective the available development support has been in the eyes of the risk professionals.

Effectiveness of development support (%)



Around a quarter of respondents rated the development support available as either ‘Ineffective’ or ‘Somewhat ineffective’ – with a further 45% not exactly blown away with the quality being offered, rating it as ‘Somewhat effective’. This is consistent with the mismatch between what is needed and what is available.





➤ Risk Leader Success Profile

The results of our research has enabled us to develop a prioritised 'success profile' for risk leaders. Importantly, this profile encompasses: the critical experiences potential leaders need to go through; the capabilities and behaviours they need to develop and hone; the personal qualities they need to harness; and the things that can hold them back – the derailers ...

Risk Leader Success Profile



Highest Priority



High priority



Medium priority



Lower priority

Critical Experiences	Key responsibilities, assignments and achievements that have equipped you for success		
	High levels of responsibility	Overcoming adversity	Leading & developing talent
	Regulatory experience	Leading strategic initiatives	Multi-business experience
	Applying technology	P&L management	Global experience

Personal Qualities	Personal characteristics linked to fit to the role and future growth		
	Integrity	Courage	People savvy
	Driven	Agile	

Note: We recognise there will be other capabilities, behaviours and personal qualities relevant to success. We have highlighted those most important to consistent performance.

*See Appendix 2 for further details of each element of the Risk Leader Success Profile

Capabilities & Behaviours	Leadership capabilities and behaviours required for successful performance		
	Influence	Strategic	Collaborative
	Expert	Commercial	Analytical
	Tech savvy	'Tech savvy' was not called out specifically in the list used in the survey – it was covered within our definition of 'Expert' and 'Strategic'. However, given its significance in the results of the research we believe it is worth calling it out separately.	

Derailers	Personality traits, that, when overdone could interfere with leadership effectiveness		
	Too much in the detail	Closed-minded	Not a team player
	Technical arrogance	Wedded to the process	Focus on the downside
	Lack of confidence	Commercial appreciation	Inconsistent
	Reactive not proactive	Eager to please	

A woman with long brown hair, wearing a white shirt, is looking upwards with a thoughtful expression. She is positioned in front of a wall covered in various hand-drawn doodles, including lightbulbs, question marks, and arrows. A large, hand-drawn rocket with red and black details is prominent at the top of the wall. The scene is set against a blue background with large, stylized white and black geometric shapes.

Future proofing risk leadership

So, what next? We outline on the next few pages our thoughts on some immediate steps you could take – both as an organisation and as an individual – to take forward some or all of our findings in the selection and development of future risk leaders. To help further we have provided a small number of organisational examples that might provide ideas or inspiration for your journey ...

➤ Future proofing risk leadership: for an organisation

So Where to Start?

Our findings have shed light on a success profile that defines some of the generic capabilities, personal qualities and experiences that will be important to tomorrow's risk leaders. However, this is not a one-size-fits-all solution to strengthen the risk leader pipeline. The relative importance of these various factors will vary by organisation, its current risk culture maturity and business context. So a start point is to use these findings as an organising framework and the basis of a conversation to define your own success profile.

**Which of these factors are most critical to your organisation?
What is missing?**

Beyond this, three clear focus areas emerge:

1. Select for Success

Having defined what "good" looks like, the next step is to determine how effectively these are captured in your current systems and practices. A key finding here is that the most critical qualities and competencies are also the hardest to develop. So it makes sense to identify these up front.

How effectively do you assess for these qualities: in recruitment; in identifying high potential future leaders; and in succession planning and leadership promotion decisions?

2. Target Development for Risk Leaders

Our findings highlight the need for development that is tailored to the evolving strategic challenges facing risk leaders and the nuanced capabilities they require.

What mechanisms do you have in place to ensure that risk leaders accumulate the required critical experiences on the way up?

How effectively do your current development programmes target the required behaviours? What gaps are there in your current portfolio?

3. 'Tech Savvy' - specific focus on technology and innovation

Given the central role that technology, in all its guises, is playing now and will play in the future, it is essential that risk professionals and leaders embrace it completely. From our experience, this is improving but not at the pace required – for many a step change is needed.

How does Risk get involved with the innovation agenda?

How can you broaden and deepen the knowledge and experience of the current team?

How can development be more experiential in nature: secondments, external relationships, FinTech engagement, change programme involvement amongst others?

What are we doing in Risk to leverage technology: for efficiency, for effectiveness, for understanding, for insight and for communication?

➤ Future proofing risk leadership: for an individual

Take stock

Look at the success profile and the definitions of each factor in the Appendix.

How would you rate yourself against the key competencies, personal qualities, experiences and derailers?

How do you stack up?

What priorities for development emerge?

Pick one thing

Over the last 5 years, we have researched how leaders develop, and in particular, the key factors that predict the effectiveness of their development efforts. Our key finding is pretty straightforward – keep it simple. Trying to work on multiple development goals at the same time alongside a demanding day job, rarely works. Whereas we found that working on one thing at a time, consistently, for several months, helps leaders develop new habits.

We also found that a key success factor is having an accountability partner – someone who checks in and challenges you on your progress or provides you with ongoing feedback on your effectiveness.

What one thing could you do more, less or differently that would increase your effectiveness as a risk leader?

Who can you rely on to hold your feet to the fire or to give you some unvarnished feedback on your progress?

Enlist support

High performing leaders take ownership of their own development and leverage the support systems around them.

What support can you enlist from your HR business partner, Learning and Development, Talent Management or line manager?

Is there a mentor or external coach who can support you in closing any development gaps you have identified?

How can you leverage your team to compensate for any capability gaps?

How can your manager support you in closing important experience gaps? What type of assignment or job rotation may help here?

What reading materials or formal training programmes may help accelerate your growth?

➤ Future proofing risk leadership: best practices

A leading European Bank identifies its future leaders using an assessment process including psychometrics, 360 feedback and a "day-in-the-life" simulation tailored to the required competencies, personal qualities and experiences.

The assessment process is targeted at 3 levels: emerging leaders, mid-level leaders and executives. The outcome is a development report for the individual and organisation and a targeted 2 year development plan designed to help individuals close identified gaps.

Participants who demonstrate leadership potential are provided with development that includes self-directed learning, job rotations, bite-sized learning events, executive education and coaching.

A global technology consulting firm provides an online platform to its managers and mid-level leaders to develop their capabilities.

The platform defines the capabilities required at different levels of leadership. Employees can access online content to help develop their skills against each capability. They can self assess their proficiency and seek feedback on their effectiveness from their line manager.

A global food and beverage manufacturer makes key projects visible to employees company-wide. This enables individuals to choose to participate in a project in another part of the business to develop their capabilities and gain experience of work that is beyond the scope of their current role or function.

This learner-driven development approach taps into employees' motivation and career aspirations and helps broaden their capabilities.

A leading retailer identifies its potential future senior leaders several years before they are slated for promotion. Participants are nominated by executive leaders and undergo an assessment process involving an in-depth leadership interview, psychometrics, stakeholder interviews and experience mapping.

The findings are used to determine each individual's future potential for a senior leader role and to create a personalised development plan. The results are used to inform the design of an 18 month executive education programme tailored to address the group's specific development gaps. In parallel, participants receive regular coaching and complete a business challenge designed to close their identified experience and capability gaps.



➤ Appendices



Appendix 1

Contacts

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Adam Appointments is the only Scottish based recruitment and talent consultancy specialising exclusively in the Corporate Governance arena. We have been operating successfully since January 2003. We primarily cover the Financial Services Sector and Professional Services firms and we deal with roles at all levels, from Consultant up to Director-level.

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O.R. Talent is a globally active consultancy that has assessed thousands of leaders around the world to support organisations in leadership selection, identifying high potential talent and strengthening their leadership pipeline. Customising our approach to every client, we assess performance, future potential, derailment risk and readiness, providing organisations with industry-leading precision in evaluating leaders' fit for future success.

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Established in 2004, the stated mission of the Institute is to promote the development and discipline of Operational Risk and to foster and maintain investigations and research into the best means and methods of developing and applying the discipline and to encourage, increase, disseminate and promote knowledge, education and training and the exchange of information and ideas.





Appendix 2

Risk Leader Success Profile

Critical Experiences

High levels of responsibility	Experience in engaging, influencing, challenging and being held accountable by senior leaders.
Overcoming adversity	Experience leading in a very challenging business environment or crisis situation; experience recovering from mistakes, setbacks or failures and being part of the solution.
Leading & developing talent	Experience building and leading high performing teams; track record of coaching and developing talent.
Regulatory experience	Experience operating in a regulated environment; experience navigating a business to success in a changing regulatory environment; experience of managing a regulatory relationship.
Leading strategic initiatives	Experience leading significant strategic programmes or change at a functional or organisational level.
Multi-business experience	Developing deep experience across different business units and/or product areas.
Applying technology	Experience selecting and/or implementing technology-driven solutions at a functional or organisational level; experience managing technology-related risk.
P&L management	Assuming full budget or P&L responsibility for a functional area and/or business plan.
Global experience	Experience working in other countries or in a multi-cultural setting.

Personal Qualities

Integrity	Behaves ethically and in the interests of customers; maintains independence where necessary, speaks up and assumes responsibility.
Courage	Is resilient, resolute and shows courage; challenges others; makes tough choices; confronts problems; is prepared to ruffle feathers.
People savvy	Understands and works well with a diverse range of people; is diplomatic and shows humility; is politically astute.
Driven	Shows commitment, tenacity and determination; sets high standards of performance for self and others; works hard.
Agile	Adapts innovatively and quickly to changing circumstances; is curious and a quick learner; shows commitment to develop and learn; encourages creative approaches.

Capabilities & Behaviours

Influence	Has presence and impact; communicates clearly; provides leadership and motivates and inspires others; holds people accountable.
Strategic	Creates and communicates a clear vision; takes an enterprise-wide and long-term perspective; embraces innovation and technology.
Collaborative	Is cooperative and encourages a cross-functional approach; involves and builds authentic relationships with stakeholders.
Expert	Demonstrates up to date and professional and technical expertise; is in touch with emerging risks; draws on others' expertise.
Commercial	Is motivated to drive business success; is pragmatic, solution oriented and entrepreneurial; appreciates business imperatives.
Analytical	Applies ruthless logic and is data driven; quickly grasps complex information; considers a range of perspectives; shows sound judgement.
Tech savvy	Understands the impact technology having on the industry and all aspects of the organisation; develops strong knowledge and insights on key tech risks.

Derailers

Too much in the detail	No big picture view; comfortable in the technical details; unable to recognise when something is 'good enough'.
Close-minded	Not listening to business; over-confidence; technical arrogance; disconnected from the business.
Not a team player	Stuck in the past – 'this is how we do it'; reluctance to embrace new ideas; lack of external perspective.
Technical arrogance	'Tick the box' approach; fixation on frameworks; lack of pragmatism; not agile; 'computer says no' mind-set.
Wedded to the process	Always thinking about what could go wrong; lack of focus on opportunity; being a blocker rather than an enabler; points out problems without view on solutions.
Focus on the downside	Silo working; struggles to delegate or empower; places personal agenda before the team; won't collaborate with the business.
Lack of confidence	Uncomfortable challenging senior leaders; won't make decisions; fear of getting it wrong.
Commercial appreciation	Starter not a finisher – no follow through; blows with the wind, rather than led by consistent values and standards.
Inconsistent	Failure to understand the business – end to end; ignores commercial imperatives; can't articulate value of risk management to the business.
Reactive not proactive	Lack of/poorly articulated vision; not driving progress or improvement; always in 'issue management' mode.
Eager to please	Takes on too much without skills or resources; over promises and under delivers; team takes the brunt.



Highest Priority



High priority



Medium priority



Lower priority



Appendix 3

Objectives, approach and key survey demographics

Hypothesis and objectives

We believe that being a successful risk leader requires some different skills and behaviours to other leaders in an organisation – as well as having been through some quite different experiences in their career to operate effectively.

The broad objectives of this research were to understand:

- What it takes to be a successful risk leader in terms of competencies, behaviours, personal qualities and critical learning experiences – and how that profile differs from other leaders in an organisation;
- Whether that success profile will change in shape or emphasis over the next 3-5 years; and
- How the current crop of risk leaders stack up against this – are there gaps and in what areas?

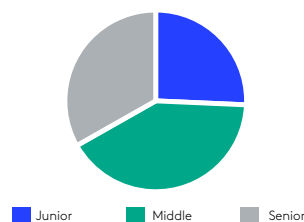
Approach adopted

- Interviews: we interviewed 10 executives with extensive risk leadership experience in the UK Financial Services Sector to get their insights on the hypothesis and to help inform the design of the second stage of the research – the survey.
- Survey: designed and delivered a survey to a wide audience of risk management professionals to generate a large enough sample to substantiate results. The target population was designed to cover key global locations (with a focus on the UK), different level of experience, different sectors and different sizes of organisation.
- Secondary research: leverage any relevant existing research to corroborate/help explain the results of our primary research work.

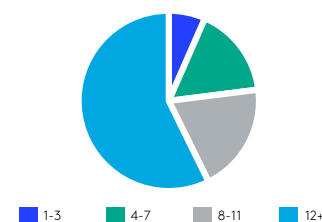
Key deliverable

This research paper which will be shared with survey respondents and other risk professionals as required.

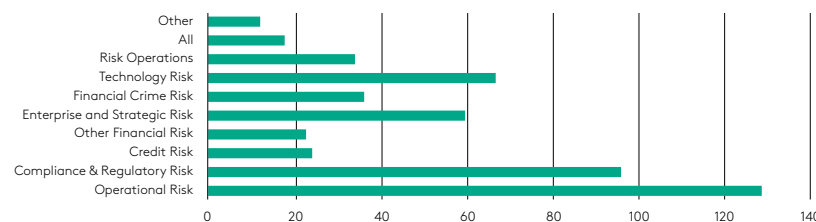
Organisational Level (%)



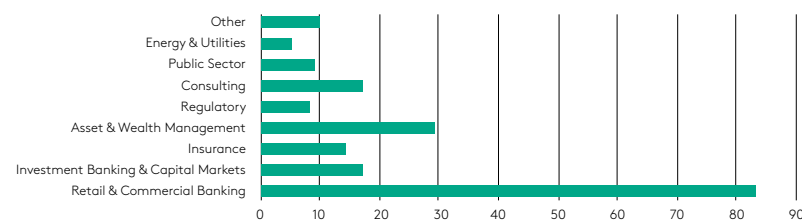
Yrs in Risk Mgt (%)



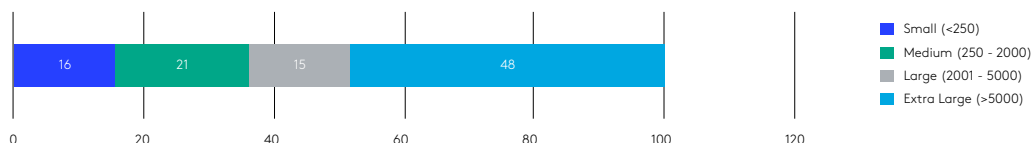
Areas of risk management focus (Number)



Operating Sectors (Number)



Size of Organisation (%)



214
RESPONSES

28
COUNTRIES
REPRESENTED

82%
UNITED
KINGDOM