

Compliance Champions, Modelling Experts or Business Partners – Which Roles do Firms expect from their Risk Managers?

11th Annual Congress on Risk Governance 19-20 October 2023 in Siegen

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Agenda

- **Relevance and motivation**
- Literature review and research question
- Methodology and data
- Results
- Discussion
- Implications and limitations

Relevance and motivation

- Enterprise Risk Management (ERM) “embraces enterprise-wide coordinated activities by which companies identify, assess, manage, and report **all key risks** to create value for the firm” (e.g. Hunziker, 2021)
- ERM function should contribute to the way firms cope with environmental uncertainty (Hunziker, 2021) and crises (Aven & Boudier, 2020),
- Risk managers as key drivers for a successful implementation and adaptation of ERM function (Arena et al., 2010; Giovannoni et al., 2016; Bailey, 2022)
- few studies concerning task profiles and roles of CROs and risk managers (Ward, 2001; Mikes, 2010)
- However lack of empirical evidence without that
 - Applicants are left unclear what to expect from risk management positions
 - Possible role conflicts between employees and employers
 - Unclear requirements for academic education
 - ERM can not realize its potential

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Literature review (1/2)

- only few studies with focus on CRO (e.g. Lee and Shrimpi, 2005)
- CRO considered an essential building block of good corporate governance (Beasley et al., 2015) and as a success factor for the implementation of a high-quality RM strategy and ERM system (Liebenberg and Hoyt, 2003; Pagach and Warr, 2011)
- main task profiles of CROs: (i) development and implementation of RM strategy, (ii) advisory, (iii) monitoring the effectiveness of ERM system and initiatives, and (iv) coordinating risk information (Ward, 2001)
- basic roles of CROs: compliance champion, modelling expert business partner (strategic advisor /strategic controller) (Mikes, 2008; 2010)
- CROs as "leader, enabler and strategist" (Karanja and Rosso, 2017)
- Broadening scope of tasks of risk managers (Colquitt et al., 1999)

Literature review (2/2)

- development and application of tools for risk modelling and assessment (Hall et al., 2015)
- ongoing relevance of compliance tasks and role of compliance champion (e.g. Benker et al., 2020; Rieg and Vanini, 2021)
- essential roles of German and Swiss risk managers: (i) risk manager with interface function, (ii) risk controller, (iii) concept or documentation creator, (iv) risk communicator or advisor (Vanini and Gutacker, 2019)
- Adaption of task profiles and roles of risk managers due to changing environmental conditions, e.g. COVID 19 (e.g. Vanini et al., 2022; Will, 2020).

Research Questions

- large variety of tasks and roles of risk managers in practice

Questions:

- typical and consistent task profiles => roles?
- Contingency factors, e.g. job or firm characteristics?
- Actual and adequate competence profiles?

Approach:

- empirical analysis of roles, tasks and competencies of risk managers and potential influence factors
- Job offers

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Sample selection

- Extraction of job offers from several online job portals (e.g. stepstone, Staufenberg, Xing, Sueddeutsche Zeitung) of firms located in German-speaking countries (Germany, Austria and Switzerland)
- key words in the title: "Risikomanager/risk manager, Risikocontroller/risk controller, Risikomanagement/risk management, Risikoanalyst/risk analyst, Chief Risk Officer/CRO"
- Elimination of identical job offers
- Elimination of job offers for risk consultants searched by consultancy and auditing companies
- Sample:
 - Subsample 1: n = 129 job offers from 3rd to 11th Nov 2017
 - Subsample 2: n = 225 job offers from 13th to 22nd May 2019
 - Subsample 3: n = 403 job offers from 14th to 23rd March 2021

Methods

- quantitative content analysis with MAXQDA Analytics Pro 2022 (see appendix)
- Application of a coding framework with four categories (job characteristics, tasks, competencies, firm characteristics) and a code book (see appendix)
- Coding by one researcher, checked by second researcher
- Descriptive statistics (frequencies, type of job offers)
- Exploratory cluster analysis following Backhaus et.al. 2023
 - Ward procedure, distinguish between clusters of similar tasks
 - Number of clusters determined with Scree plot and elbow criterion

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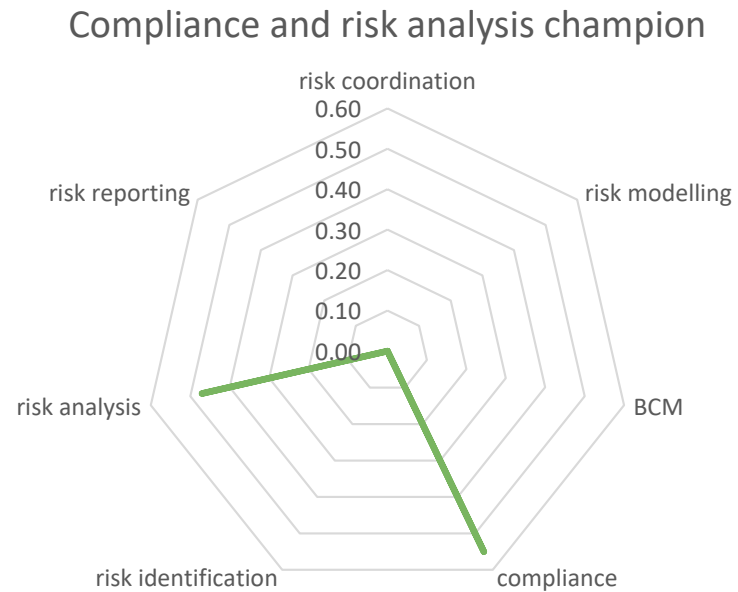
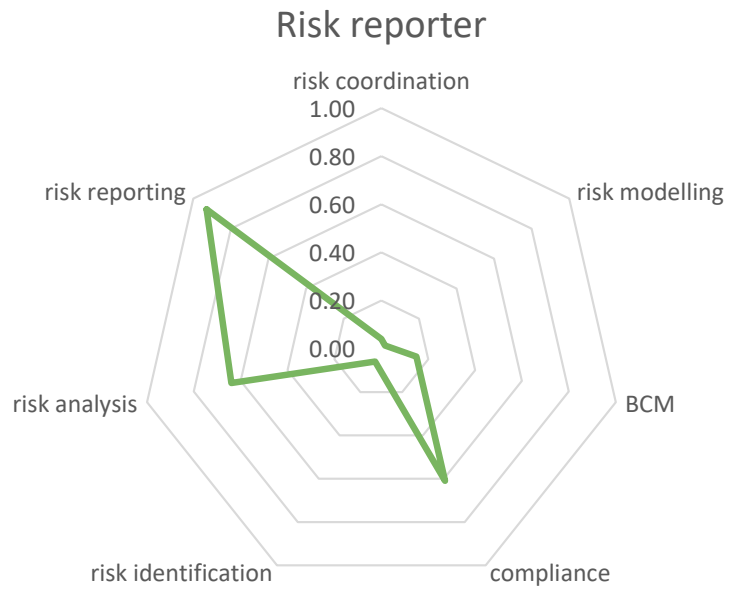
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Exploratory Results

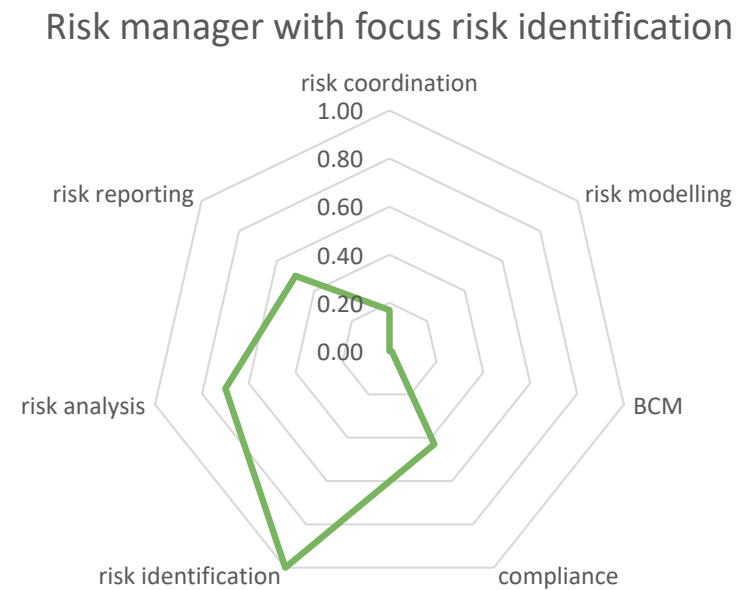
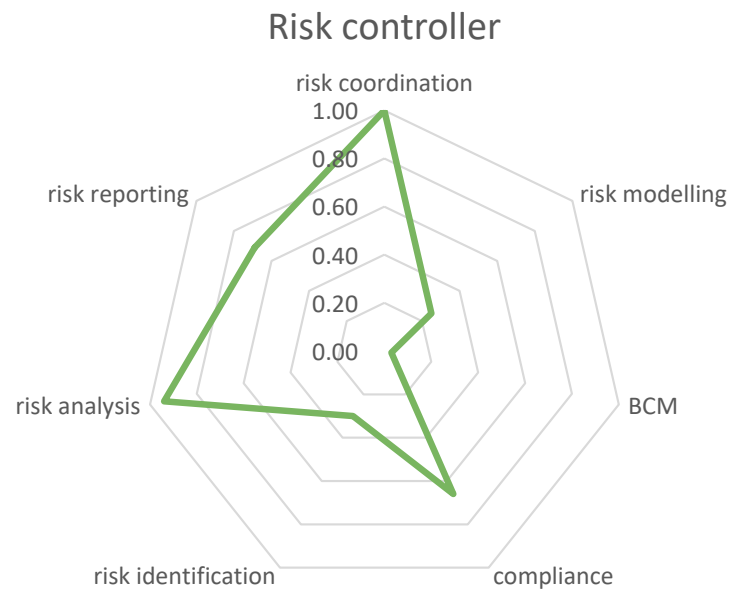
	risk coordination	risk modelling	BCM	compliance	risk identification	risk analysis	risk reporting
Cluster 1 risk reporter	0.04	0.02	0.15	0.61	0.06	<u>0.64</u>	<u>0.93</u>
Cluster 2 compliance and risk analysis champion	0.00	0.00	0.00	<u>0.55</u>	0.00	<u>0.47</u>	0.00
Cluster 3 risk controller	<u>1.00</u>	0.25	0.03	0.66	0.30	<u>0.94</u>	0.69
Cluster 4 risk manager with focus risk identification	0.17	0.00	0.01	0.43	<u>1.00</u>	<u>0.70</u>	0.50
Cluster 5 risk coordinator	<u>0.75</u>	0.50	0.00	<u>0.59</u>	0.09	0.00	0.40
Cluster 6 modelling expert	0.22	<u>1.00</u>	0.04	0.39	0.34	1.00	<u>0.48</u>
Averages	0.32	0.20	0.05	0.55	0.26	0.61	0.51

Cluster of risk manager roles	Frequency	... in %
Cluster 1 risk reporter	180	23.80%
Cluster 2 compliance and risk analysis champion	166	21.90%
Cluster 3 risk controller	122	16.10%
Cluster 4 risk manager with focus risk identification	118	15.60%
Cluster 5 risk coordinator	104	13.70%
Cluster 6 modelling expert	67	8.90%
total	757	100%

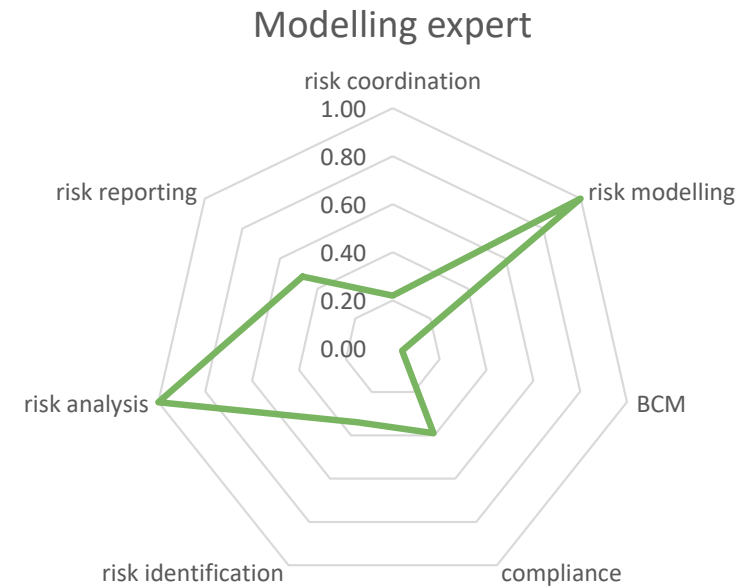
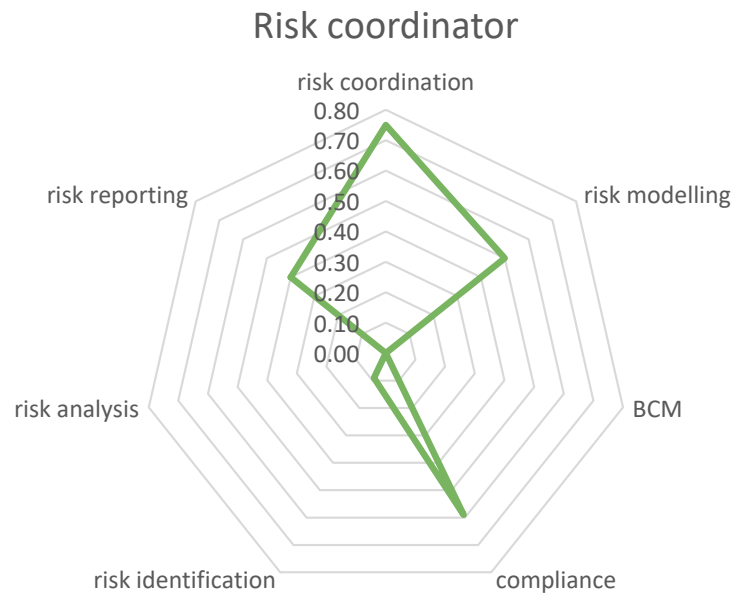
Roles in Detail (I)



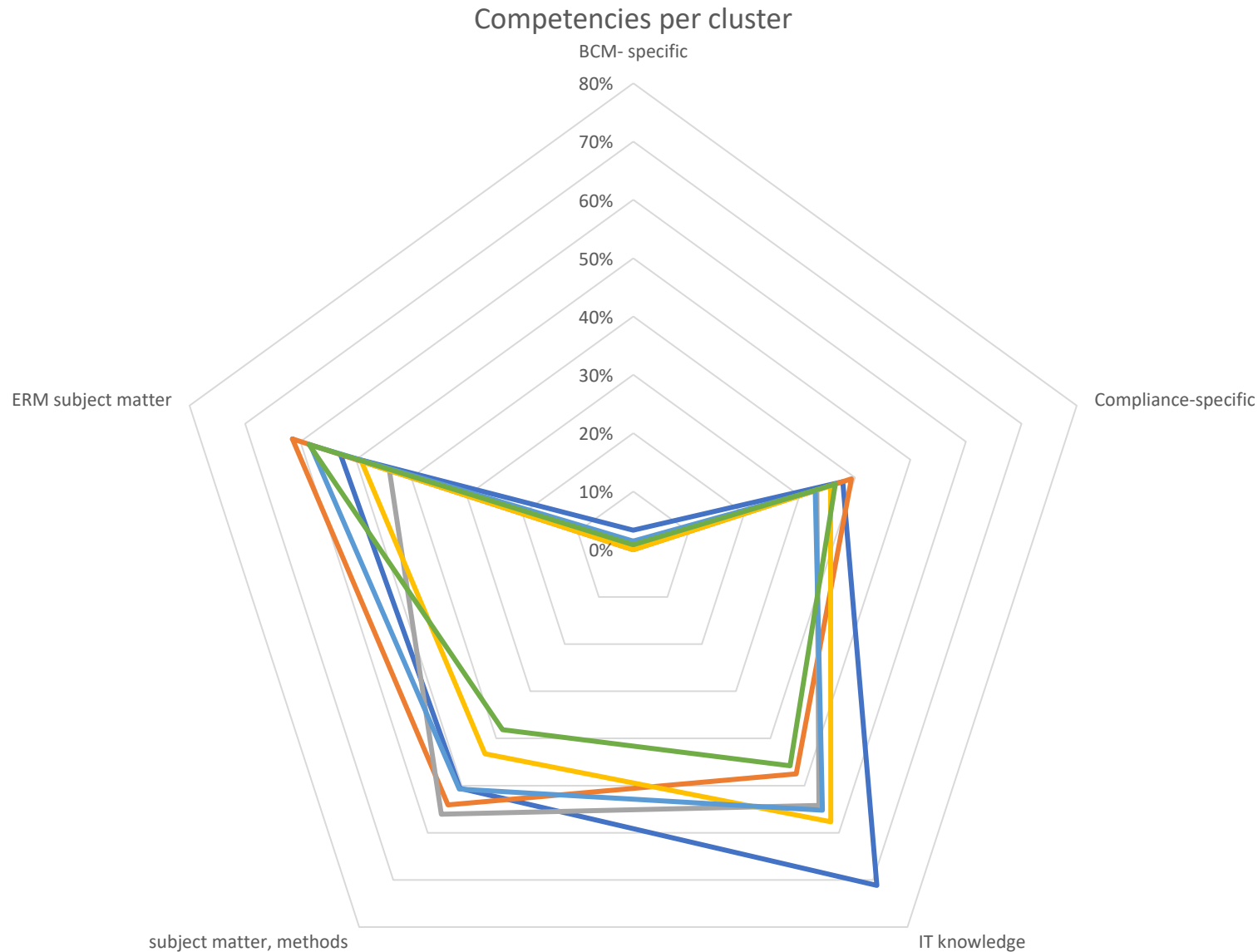
Roles in Detail (II)



Roles in Detail (III)



Do competencies differ between role clusters?



Role foci in different industries

Roles per industry	risk reporter	risk controller	compliance and risk analysis champion	risk coordinator	modelling expert	risk manager with focus risk identification
Energy, Utilities	26.09%	26.09%	17.39%	0.00%	8.70%	21.74%
Banks, insurance	29.85%	13.59%	20.87%	13.11%	8.74%	11.65%
Consulting, auditing	18.75%	6.25%	25.00%	6.25%	12.50%	25.00%
manufacturing	11.81%	24.41%	25.20%	11.81%	8.66%	14.96%
services	15.89%	17.22%	21.19%	15.23%	9.27%	19.21%
retail	14.71%	5.88%	5.88%	23.53%	5.88%	38.24%
overall averages	23.80%	16.10%	21.90%	13.70%	8.90%	15.60%

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Discussion

- Main results:
 - Risk management primarily a specialist, non management position
 - Heterogenous task profile of risk managers (Colquitt et al., 1999), ongoing relevance of compliance-related tasks (e.g. Rieg and Vanini, 2021)
 - six distinctive roles of risk managers: already known roles: Compliance Champion, Risk Controller and Modelling expert (Mikes, 2008; 2010), but also unknown roles: Risk Reporter, Risk Manager with Focus risk Identification, Risk Coordinator
 - But with overlaps in tasks: compliance, risk analysis, risk reporting
 - No significant differences in competencies sought for
 - Different role foci in different industries
- Discussion:
 - No broad change of tasks and roles of risk managers over time (e.g. Power, 2009; Vanini et al., 2022; Will, 2020)
 - Development of more precise competencies profiles for different roles necessary

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Implications

- For corporate practice:
 - Further development of distinctive task and competence profiles of risk managers
 - Differentiation between risk managers, compliance manager, business continuity manager and crisis manager
- For future research:
 - International replication studies of identified roles
 - Analysis of effectiveness of different roles
 - Identification of role conflicts between different roles

Limitations

- job offers may be “streamlined” by the human resource departments, are a mixture of very generic terms or used for impression management (Yu, 2019)
- firms might further develop their ERM function and staff without communicating this in their job offers in order not to swamp and frustrate potential junior staff members (Baum & Kabst, 2014)
- content analysis is always influenced by a certain level of subjectivity (Dumay & Cai, 2014), although a code book was applied and the coding was checked.
- Next steps:
 - Replication necessary with new job offers, in different jurisdictions, with different methods (surveys?)
 - Why these roles? Add theory-based explanation: e.g. old economic institutionalism (Ribeiro, Scapens 2006)?

Appendix

Codesystem	Sample_2021	Sample_2019	Sample_2017.	SUM...
Tasks of risk managers				0
Compliance-related tasks	■	■	■	634
Risk identification	■	■	■	191
Risk analysis and assessment	■	■	■	521
Risk reporting	■	■	■	406
Risk modelling	■	■	■	148
Coordination / information	■	■	■	240
Business continuity management	■	■	■	33
Other tasks	■	■	■	36
Σ SUMME	999	709	501	2209

Appendix

Category	Subcategory	Description
Job characteristics	Job title: risk manager / risk controller / risk analyst / CRO / risk consultant / other	The code was used when the title was named in the headline of the job offer. "Other" was chosen when none of the job titles was used in the headline.
	Job specialisation: ERM generalist / risk specialist	ERM generalist was coded when the job of the risk manager was not explicitly limited to a specific risk category. Risk specialist was coded when the tasks were restricted to a specific risk category such as cyber or credit risks.
	Job level: Management position / non-management position	Management position was coded when the risk manager has executive responsibilities, otherwise it was coded as non-management position.
Tasks of risk managers	Compliance-related tasks	The code was used when a compliance-specific task such as the development of a code of conduct was required in the job offer.
	Risk identification	The code was used when risk identification was named as a task in the job offer.
	Risk analysis and assessment	The code was used when risk analysis or assessment, e.g. scenario or simulation, were required in the job offer.
	Risk reporting	The code was used when external or internal risk reporting was required in the job offer.
	Risk coordination	The code was used when the coordination of the risk management process or the information of other departments and functions was named as tasks in the job offer.
	Risk modelling	The code was used when the development of risk models and complex risk assessment approaches was named as tasks in the job offer.
	Business Continuity Management (BCM)	The code was used when a BCM-specific task such as the development of recovery plans was required in the job offer.
Other tasks	The code was used when other tasks were required in the job offer.	

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Category	Subcategory	Description
Competencies of risk managers	Compliance-related competencies	The code was used when compliance-related competencies such as the knowledge of specific legal requirements were required in the job offer.
	RM-related knowledge	The code was used when RM-specific knowledge such as a profound understanding of ERM systems was required in the job offer.
	IT-related competencies	The code was used when IT-related competencies such as the application of specific simulation tools were required in the job offer.
	Other methodological or analytical competencies	The code was used when other methodological or analytical competencies such as statistical knowhow were required in the job offer.
	Social and personal competencies	The code was used when social or personal competencies such as the ability for teamwork were required in the job offer.
	Other competencies	The code was used when other competencies such as BCM-related know-how were required in the job offer.
Firm characteristics	Capital-market-oriented: Yes / no / unclear	The code “yes” was used when the firm or its parent company was listed at a stock exchange, if not “no” was coded. The code “unclear” was used when no information was given in the job offer.
	Group affiliation: Yes / no / unclear	The code “yes” was used when the firm was affiliated to a group, if not “no” was coded. The code “unclear” was used when no information was given in the job offer.
	Industry: Finance / utilities / others / unclear	The codes finance or utilities were coded when the firm or the parent company belonged to that industry, if not “others” was coded. The code “unclear” was used when no information was given in the job offer.

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