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Why are risk management jobs high on demand?



Ability to foresee and tackle risks will be sought-after; companies want to exit the crisis with fewer losses

The world of work, just like the world around us, is highly dynamic, experiencing trends that shift as the nature of business changes. For example, the rise of digital technology and the internet created a host of new jobs, such as, programmers and graphic designers, and in more recent times, cybersecurity specialists. Automation and digital transformation are shaping the future of work, with companies now requiring a workforce capable of developing or using technology, and in possession of higher-order skills, such as, analytical ability and decision-making, to harness that technology and the resulting data to improve productivity and growth.

The impact of the ongoing Covid-19 pandemic on most of the world's economies is another factor that will impact the job market in the years to come. The crisis caught most companies unaware and validated the decision of organisations that inculcated risk management as an important part of their business strategy, and are weathering the crisis with fewer losses.

Inadequate risk awareness

However, even before the pandemic, inadequate risk awareness and strategies have contributed to the decline of many companies. Motorola, for instance, was the first company to develop a portable cellular phone prototype in 1973. In 1983, they launched what was then the world's smallest and lightest cellular phone, and in 1996 it unveiled the first flip mobile phone, following it up with an even smaller phone in 2001, and the slimmest mobile phone in 2004. Yet, as 2007 drew to a close, Motorola's global market share had shrunk to half of what it was a year before, largely due to a lack of interesting innovations and the onslaught of competing phone manufacturers who were providing consumers with a host of additional phone capabilities.

According to a study, fewer than 12 per cent of the Fortune 500 companies included in the year 1955 was still on the list nearly 65 years later. This means that nearly 88 per cent of the companies from 1955 have either gone bankrupt, merged with, or acquired by another firm, or have fallen from the top Fortune 500 companies.

One of the key factors that led to this fall from the elite club could also be their inability to manage preventable, strategic, and external risks.

Preparedness to handle risks

In India, corporations have primarily focused on a compliance-based approach to risk and its management. This limits a firm's focus to certain silos and primarily addresses preventable and internal risks. In contrast, Enterprise Risk Management (ERM) helps in managing strategic risks and anticipating external risks. In contemporary times, these are becoming increasingly difficult to manage and mitigate. They require a focus on addressing and building competencies to manage multi-stakeholder risks than just financial risks. In addition to the preventable risks, ERM focuses on the relationship of risk management with corporate governance, social responsibility, sustainability, and organisational prosperity.

This quarter, surrounded by impact and social and economic ramifications of the pandemic, we are experiencing the acme of what has been often referred to as a VUCA world, a world characterised by Volatility, Uncertainty, Complexity and Ambiguity. During such times, ERM has become a vital focus area for corporations. Risk is inherent in every entrepreneurial venture. It is fundamental to business and is at the core of every decision. In fact, an entrepreneur is different from a manager because of the former's capacity to take risks to achieve success when compared to the latter's desire for a secured and regular income irrespective of the company's performance. The profits an entrepreneur and his venture make are a reward for taking positive or good risks and avoiding bad risks.

Role of a risk manager and how to become one

Risk managers play a critical role in protecting the well-being of the organisation, and by extension, its people. They are the guardians of the company — they identify emerging issues, anticipate their impact on an organisation in conjunction with all the other factors, and provide strategic recommendations to prevent crises.

The role of a risk professional is highly complex and requires a multitude of skills, such as complex problem-solving, strategic and analytical thinking, and decision-making. They are required to know the business well and have knowledge of finance, in order to accurately identify all risks and develop a mitigation plan. They need to be good negotiators and diplomats, to manage multiple stakeholders and facilitate a consensus on future strategy and risk mitigation measures. They also need to be agile in decision-making and be able to work under pressure, especially if a potential crisis is anticipated.

There are globally-recognised qualifications in Enterprise Risk Management, that are available for individuals who wish to pursue risk management as a career, or who want to upskill themselves to perform their job better and add value to the organisation. These qualifications benefit the individuals as they provide an international perspective that is necessary in today's global economy. The knowledge gained, about global risk frameworks, tools, and techniques for

identification and assessment, and management of risk, is also invaluable for those who are looking to transform risk processes in their organisation, or who wish to pursue an international career.

In addition to Enterprise Risk Management, options are also available to obtain qualifications in financial risk management, digital risk management and supply chain risk management, depending on the individuals' interest or current career trajectory. An advantage of studying risk management is that it can be done by anyone who has passed Grade 12, including students, young professionals, and even senior leadership. There are various pathways for each of these cohorts to obtain their qualifications, including periodic exams and via application, depending on career experience and seniority.

Responsibilities of corporate economies

Moreover, the global economic scenario is getting increasingly skewed. As per a recent study, of the 100 largest economies of the world, 71 are corporations and 29 are countries. This places disproportionate responsibilities on these massive 'corporate economies' to effectively manage risks beyond commercial imperatives. There is a need for corporations to focus on addressing risks associated with Environmental, Social and Governance (ESG) issues and work towards achieving success across the Triple Bottom Line. The forest fires in the Amazon forests of Brazil and the bush fires that gutted Australian forests and killed 100 crore animals are warnings that the consequences of global warming and climate change are at our doorstep.

While Covid-19 has awakened corporations from the slumber of procrastination connected with building an organisation-wide enterprise risk culture, there are a host of threat scenarios that will require mitigation in the coming years. Companies will need to focus on proactively addressing macro risks including environmental, geo-political, macroeconomic, and public health.

The ability to foresee and manage risk will be sought after across organisations beyond finance and insurance, and across functions in every organisation, including supply chain, HR and marketing. It is vital, therefore, for students and working professionals, to acquire the necessary expertise to equip themselves for this future, and be able to add value to companies by helping them navigate threats successfully to achieve their organisational goals.

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