

Students: Have you considered a career in Risk Management?

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Whether you are considering studying risk management or are just about to embark on your career, risk management will equip you with the resources required to become an integral part of any organisation, irrespective of the industry. The reason for this is that risk management has become a qualified profession in its own right, something which professionals are striving towards at the onset of their careers. Whilst the management of risk is an evolving discipline, varying from strategic to process, very few companies would make any significant decisions without first assessing the risks involved.

What does Risk Management entail?

Risk is part of every human endeavour from the moment we get up in the morning to when we go to sleep at night. As with everything in life, businesses are exposed to risks (that matter) of different degrees that either provide opportunities or lead to undesirable outcomes. A broad definition of risk is required in order to capture both the positive and negative outcomes. A risk is defined in the ISO 31 000 standard as the effect of uncertainty on objectives, whether positive or negative. The coupling of risk and reward is central to the risk definition and to the innovations that have been created in the study of all business activities.

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Why has Risk Management gained weightage?



Events – such as the global financial crisis, the Arab Spring and several devastating natural disasters – have demonstrated that companies conduct business in an increasingly complex, interdependent and unpredictable world. The risk management profession and its professionals have gained prominence due to the value that the discipline can add in managing the full spectrum of risks that corporations face in the evermore uncertain

world of global business. South African companies have also realised that they do not operate in a vacuum and have placed the spotlight on risk management to assess their strategic and operational risks in their quest for growth. Most medium and large local companies have implemented an Enterprise Risk Management (ERM) programme not only to comply with King III but also in order to gain a competitive advantage.

The organisational benefits of adopting an ERM approach include:

- Enabling management, the board, investors and stakeholders to have a more consistent view of and approach to risk

- Increasing expected shareholder wealth
- Promoting increased risk awareness and effective communication which facilitates better operational and strategic decision-making
- Encouraging planned risk-taking and the proactive management of risks
- Creating value at both macro (and enterprise-wide) and micro (i.e., business–unit) levels
- Detecting opportunities
- Fostering greater accountability
- Utilising risk management techniques to identify and differentiate severe risks from minor risks
- Preventing aggregation of risk across different sources by identifying potential interdependencies between risks across activities
- Enhancing organisational resilience by dealing effectively with disruptions and losses, minimising financial impact on the organisation and maximising opportunities
- Ensuring that corporate governance regulations are adhered to

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Risk management is the identification, assessment, and prioritisation of risks followed by the coordinated and economical application of resources to minimise, monitor, and control the likelihood and/or consequences of unfortunate events or to maximise the realisation of opportunities. Risk management is also concerned with enabling management with proactive informed decision-making in support of the company's strategic and operational objectives. This is achieved through the Integrated Risk Management framework, based on ISO 31000, which is designed to contextualise, identify, assess and manage both potential threats and opportunities.

Risk is inherent in all company activities and every staff member continuously needs to manage risk. Management should therefore assure the risk behaviour throughout the company by ensuring that each employee has regard for risk management processes and practices. The aim is not to eliminate risk, rather to manage the risks involved in company activities to maximise opportunities and minimise adversity; improve performance on decision-making and planning; promote a more innovative, less risk averse culture; and to form an important component of good corporate governance. Proactive risk management can also benefit companies by increasing the likelihood of achieving corporate strategies, business targets and priorities; prioritising the allocation of resources; protecting and enhancing corporate reputation; providing early warning systems; and equipping employees with the skills required to become confident risk takers.



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Description of function:

Risk managers are responsible for managing the risk to the organisation, its employees, customers, reputation, assets and interests of stakeholders. This essentially means managing all threats and opportunities that are related to the achievement of business objectives. Risk management can be practised in the public and private sectors, as well as in risk advisory companies. You have the option of becoming a generalised risk manager who is responsible for all the risk areas of the business or you can go for a specific risk specialisation. The risk management career path is incredibly rewarding from both a financial and personal development perspective as you gain more experience. Your niche area can also make you a desirable candidate for many companies.

Responsibilities for risk management professionals include:

- Planning, designing and implementing an overall risk management process for the organisation
- Creating policies, procedures and control assessments in response to identified risks

- Supporting proactive and strategic decision-making
- Managing the process of identifying, assessing and evaluating the risks affecting the organisation
- Establishing and monitoring key risk indicators, as well as implementing corrective action plans to mitigate risks
- Ensuring appropriate internal and external risk reporting to different audiences
- Carrying out processes such as purchasing insurance, implementing health and safety measures and making business continuity plans to limit risks and prepare for if things go wrong
- Providing support, education and training to management and employees to build risk awareness

The following attributes are important if you aim to become a risk manager:

- Good communication and management
- Solid quantitative and/or qualitative skills
- Strong analytical abilities
- Integrated thinking
- Decision-making and networking power
- Sound industry understanding
- Creative and detailed
- Good conflict and stress management
- Commercially aware and diplomatic
- Excellent planning, prioritising, and execution skills