

How to choose, and be, the best CRO possible

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Experience and abilities are the hallmarks of the most effective chief risk officers, says Mark Adams, co-leader of the Insurance Practice in the Americas and area manager of the Boston office at global executive search and assessment firm Russell Reynolds Associates Inc. He says businesses need a clearly defined framework to choose the right CRO and describes qualities that set candidates for that post apart.

In today's market, the importance of a chief risk officer never has been greater, nor has the role been more difficult.

The searches we conduct for top CROs globally reveal consistent themes and abilities that distinguish those who are able to make a significant impact. Yet, even the best CROs can be limited if the position is not strategically and clearly defined. For those companies considering the implementation of a CRO, we have found that maximum effectiveness necessitates a framework of clearly defined roles and responsibilities. For individuals considering the CRO position, we offer a glimpse of what makes a candidate excel.

In every company, establishing a clear chain of command is vital to success. Risk, as an ongoing companywide issue, requires that the CRO report directly to the chief executive officer and have the flexibility to recruit and manage a small staff globally. The expansive nature of risk management also necessitates that the CRO steward numerous strategic partnerships with internal constituencies and outside strategic partners. He or she should partner with the general counsel, chief operating officer, chief financial officer and the top internal audit officer, all of whom should view the CRO role as a complement to their areas of responsibility.

CEOs need a risk expert who can act as architect and engineer in building a comprehensive enterprise risk management infrastructure; one that spans all parts of the organization and provides a clear and easy-to-interpret real-time interface for senior management regarding all risk-related activity.

To establish an effective ERM plan, the CRO must build a philosophical and methodological blueprint, encompassing strategic (political, competitive, compliance, governance, reputation, macroeconomic), operational (technology and operations, supply chain, business continuity), financial (investments, financing, legal/liability, counterparty, systemic, foreign exchange) and hazard (traditional insurance, fraud, theft, pandemic, terrorism) risks.

As the demands of an organization evolve, CROs must effectively communicate with senior management and peers to adapt and integrate future business plans to the redefined risk management framework.

Understanding and defining the responsibilities and roles a CRO must fulfill is only the first part of establishing a truly effective CRO. The second part depends on the personal characteristics and qualifications of a candidate wishing to fill the position.

In our experience, certain qualifications distinguish the outstanding CROs. Foremost is an individual's business experience. Ideally, he or she will have worked within the firm's industry; however, experience in an analogous industry with a similar risk profile often offers a broader perspective on risk at the top.

A broader perspective applies to responsibilities as well. Ideal candidates will have dealt in operations, finance and/or legal issues. This is equally as important as time spent specializing in risk management and ERM.

As companies continue their global expansion, individuals with multicultural backgrounds will be in greater demand. Diverse cultural backgrounds enable CROs to be savvy and pragmatic about how to realistically effect change in a growing, global organization, greatly improving the value they bring to any company.



Finally, superb CROs must have a track record of successfully using education, technology and communication to align the company and management with the goals and policies the candidate is charged with managing. The use of technology is particularly important as CROs are expected to inform and educate managers about their responsibilities, success and progress.

While these experiences build the resume of an ideal CRO, there are other factors—personal and professional competencies—we look for in candidates.

The ability to make decisions that balance a variety of factors (e.g. cost of risk, short- vs. long-term impact) to achieve an optimal outcome is indispensable in a CRO, as is the ability to anticipate future business risks and develop strategies to address them. This ability necessitates strong quantitative, forecasting and analytical skills.

CROs do not work in isolation. They deal with multiple internal and external groups and, therefore, must be able to develop and leverage relationships. They have to be able to collaborate across teams, establish and cultivate networks of people in a complex matrix organization, and use relationships strategically to accomplish objectives.

Given the primary role education plays in a CRO's responsibilities, the ability to effectively communicate is a must. CROs have to be highly articulate and convey important messages in a clear and compelling manner.

In line with any C-suite role, CROs have to have a strong, healthy ego—a confidence to excel that permeates the entire organization. This ego must be tempered by the ability to learn from mistakes and bolster personal areas of weakness with a talented team of professionals. They must possess the confidence and character to hire the strongest and smartest people, be resilient and have emotional intelligence.

The keys to a successful CRO are twofold. The CEO and other senior leadership must understand and properly utilize the CRO position, maximizing the office's effect through defined responsibilities and an empowering reporting framework. Equally important are the personal characteristics and experience of each CRO. Without both, developing a truly great CRO may prove impossible.

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