

# RISK MANAGEMENT

WHERE ARE THE FEMALE CROs?

MICHELLE DAISLEY



As the financial crisis showed, the biggest risks to a business are those its senior managers are unaware of. Given that the sources of risk to financial services firms are extraordinarily varied, it pays to have different perspectives among the people tasked with looking out for those risks. This creates a strong *prima facie* case for diversity among the senior staff of the Risk function.

The same case can also be made for the variety of skills required. In the past, Risk functions were staffed by technical experts on quantitative modeling. Since the crisis, regulatory and commercial imperatives have extended the work of risk managers. They must also attend to more esoteric risks, such as operational, conduct, and reputational risk, which are not so readily amenable to quantitative analysis. And they must be able to communicate and explain complicated concepts, to partner with the business, to challenge and hold them to account without stifling their commercial sustainability. Diverse skills require a diverse staff.

*“The more diverse your team’s background, thinking, and style, the more likely you are to find as many risks as possible”*

**Sarah Owen-Jones, CRO, Rathbones**

*“Risk managers need to be able to look beyond their own frame of reference”*

**Sune Brugman, CRO Corporate and Investment Banking, Standard Bank**

*“The most effective challenge comes from someone with a different perspective, asking probing questions”*

**Christine Palmer, CRO, Aldermore**

*“Risks and crises do not unfold in a predictable way – we need diverse thinkers to mark out potential risks and to think creatively about how to reduce these proactively. Balancing gender increases the diversity required in effective problem solving. Diversity reduces group think, unlocks innovation and new ways of doing things”*

**Leila Fourie, Director of Post-Trade and Information Services, Johannesburg Stock Exchange**

*“Being good at risk management requires an open mind and willingness to think the unthinkable. It’s in a CEO’s interest to get the best team, which means supporting diversity in every dimension”*

**Jo Paisley, Global Head of Stress Testing, HSBC**

Yet our research shows that only 15 percent of CROs (Chief Risk Officers) are women. In the banking sector, only 10 percent of CROs are women. We met with a number of senior women currently working within Risk to better understand why there are so few female CROs. Four hypotheses emerged from these discussions.

## 1. FEWER WOMEN GRADUATE IN TECHNICAL SUBJECTS

A career in Risk has traditionally required a strong technical foundation, given the emphasis on the quantitative modelling of financial risks. Most graduates with a background in such subjects have tended to be men. This was particularly true when today’s generation of CROs began their careers. For example, in the US, only 28 percent of bachelor’s degrees in science and engineering were earned by women in 1970, compared to 50 percent in 2013.<sup>1</sup>

*“Most Risk individuals have a maths and analysis background... in the past you needed to have a core technical competence to support a Risk role, but now and going forward we also need a broader set of skills that goes beyond analytics, including leadership and change management (as examples). For this reason, I believe more women will find their way into Risk”*

**Melanie Neill, CRO COO, Credit Suisse**

<sup>1</sup> Christianne Corbett and Catherine Hill, *Solving the equation: the variables for women’s success in engineering and computing*, American Association of University Women Report, 2015

## 2. THE PERCEIVED NEED FOR CONSTANT OVERSIGHT

The fact that risks do not materialize during office hours only has created the perception that to be effective, Risk staff must be on-the-ground and on-call whenever they are needed to prevent or mitigate losses. This has made a career in Risk seem incompatible with being the primary caregiver for children, a role still played mainly by women.

*“People think that risk managers have to be there, to be present, in the same building”*

**Roselyne Renel, Chief Risk Officer Europe & Americas,  
Global Head Enterprise-wide Risk Management,  
Standard Chartered Bank**

## 3. THE POTENTIALLY CONFRONTATIONAL NATURE OF RISK'S ROLE

As the ‘second line of defence’, risk managers play a critical role in challenging the business with regards to the types and amounts of risk taken as they pursue their commercial objectives. This inevitably results in difficult and sometimes confrontational interactions, especially in a trading floor environment, which may deter many women from taking on the role.

*“I don't think that's an issue.... Women working in compliance and legal also need to stand up for their own view, and [women in those fields] are very comfortable to do this”*

**Melanie Neill, CRO COO, Credit Suisse**

*“I enjoy the challenge!”*

**Roselyne Renel, Chief Risk Officer Europe & Americas,  
Global Head Enterprise-wide Risk Management,  
Standard Chartered Bank**

Our interviewees largely disagreed with this stereotype. However, they agreed that unconscious biases can make it difficult for women to succeed in such a role. As Facebook COO Sheryl Sandberg and others have noted, women often face the double bind, whereby a man acting assertively is respected, but a woman acting assertively is perceived to be pushy, aggressive, or strident.<sup>2</sup>

*“Unspoken rules for success are often created by males and this often creates an unconscious barrier to women”*

**Leila Fourie, Director of Post-Trade and Information Services,  
Johannesburg Stock Exchange**

*“In the past when attitudes were a little more old-fashioned, women were reluctant to challenge their male colleagues, but being a woman in the corporate world today is an exciting time to confidently share ideas and be part of a dialogue that adds value”*

**Audra Paton, Independent Risk Director, ICE Clear Europe**

2 Sheryl Sandberg and Adam Grant, *Speaking While Female*, NY Times, 12 January 2015

## 4. RISK MANAGEMENT IS AN INHERENTLY CONSERVATIVE DISCIPLINE

Women occupying senior Risk roles is not the tried and tested way of doing things. Appointing a woman to such a role is often seen as taking a risk. This may be especially true during a crisis, when appointing the candidate that fits the profile of what a CRO usually looks like may seem to be the safe option.

*“Leaders tend to hire in their likeness. The current bias of male leaders in Risk at executive level creates a virtuous circle that reinforces and exacerbates the poor representation of women at top levels”*

**Leila Fourie, Director of Post-Trade and Information Services, Johannesburg Stock Exchange**

*“Diversity can be seen as a ‘nice to have’, which can lead to the point of view of ‘we’re fighting a crisis here. Why should I be worried about the number of women in the room?’”*

**Sarah Owen-Jones, CRO, Rathbones**

It shouldn't be this way. Not only do financial services firms need more women in senior Risk roles but risk management has the potential to offer women rewarding and sustainable careers.

*“It’s a serious career with massive potential. You’re integral and relied upon. You don’t need to be part of the executive team to have senior influence and impact – Risk is fundamental to core decision making. That’s empowerment”*

**Audra Paton, Independent Risk Director, ICE Clear Europe**

In addition to the broader recommendations made elsewhere within this report, we suggest that the industry makes a particular effort to attract talented women into the career. Part of the answer is continuing to lift the status and prestige of Risk careers. Work on the risk culture of financial services firms has gone a long way to achieving this. More directly, financial services firms need better PR for risk management at universities (aimed especially at graduates in STEM subjects),

highlighting both the diversity of careers available and female role models.

*“Graduates are your pipeline – if you look after and nurture them, you are going to get really good people”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

Management must also challenge the idea that Risk is a career that requires long hours and lots of face time. It must be made clear that a risk manager (male and female) can be effective and have a successful career, while taking advantage of flexible working options.

*“We should be marketing Risk as a career that supports flexibility”*

**Karin Griffin, Head of Operational Risk, Standard Bank**

*“How CEOs view the Risk function, how they involve Risk in senior decision making and strategy..., this changes the perception of what risk is and what it does and will attract more people, especially women”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**

*“If I need to approve a deal, why can’t I do that from home?”*

**Roselyne Renel, Chief Risk Officer Europe & Americas, Global Head Enterprise-wide Risk Management, Standard Chartered Bank**