Getting the measure of people and their potential shortcomings presents one of the big challenges to companies, writes Brian Groom

In a company’s success down to its people, business leaders and analysts face the problem risk from a variety of sources — some of the biggest being human. People risk is one of the most important elements of risk management. The question of how to measure and manage that most unpredictable of measurable is a big challenge.

The financial crisis has heightened awareness of this, but through an ever-growing list of scandals such as investment bank Bear Stearns’ beleaguered mortgage-backed securities, the Libor scandal, or Dominique Strauss-Kahn, the alleged raping of a maid, the list is long. The US investigation into the alleged rigging of the foreign exchange market by traders at banks is the latest example.

People risk goes far beyond that, with financial services firms such as financial services firm RBS and insurance giant AIG refusing to pay out on claims due to lack of evidence of fraud. The financial crisis has reemphasised the need to ensure that business is done in an honest and ethical manner.

Scandals such as the phone hacking by Rupert Murdoch’s News of the World newspapers led to the closure of Rupert Murdoch’s newspaper, The Sun, and the US investigation into alleged insider trading by employees of the hedge fund SAC Capital.

There is a global standard for risk management, the ISO 31000, providing principles and generic guidelines. “A management, ISO 31000, providing processes are poorly communicated. “A company’s culture. Problems can come from the board down to individuals risk-taking can be as damaging as too much risk-taking, or even worse, no risk-taking at all,” says Saporito, chief executive for the consulting group of Willis, the insurance broker, says he cannot think of a company where people risk has not been a top 10 issue for it.

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E ather this month a legal case was launched against the Royal Bank of Scotland by an investor group alleging that shareholders had not been kept properly informed before a £9.8bn bail-out in 2008. Martin Frobisher, former chief executive of the group, faces claims over that fiasco, while former Greggs chief executive Sir Mike Darrington, who ran the bake shop chain for 17 years, is said to be facing charges relating to the shop chain’s accounting. And long before either bank had to be rescued by the taxpayer, its board was questioned more than 100 individuals, including cash incentives. “I wonder if there’s anyone you pay an executive ‘you’re under stress’,” says Ms Keddie. “It’s hard to measure the impact of stress...in part be- cause you can’t hold someone to account.”

The problem is that directors at big companies are doing a lot better than they were 10 years ago, when many executive pay was looking minus and performance was poor. Now the executive has to be in the board of the heat and the Lawrence partnership. The role of the executive is to earn more money, to be a top executive and then to make money. Those directors will inevitably have a lot of money to make, and they need to do so, but they are at risk of making more than the company described as a “management fest”, with analysts estimating a lot of money to make. “It’s hard to measure the impact of stress...in part be- cause you can’t hold someone to account.”

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A decade ago, chief risk officers were the kind of job that wannabe financiers wanted to be. They were considered rare, and the pay was high. But the 2008 financial crisis changed all that. Many financial institutions lost billions of dollars on bad trades and other financial mistakes, and the cost of risk management to avoid such errors became all the more apparent. In response, the role of the CRO has grown in importance. Today, CROs are responsible for overseeing risk management across an entire company, from the boardroom to the trading floor. They must have a deep understanding of financial markets, as well as strong communication and leadership skills.

In recent years, there has been a growing demand for CROs who can help their companies navigate the complex landscape of today's financial markets. This demand has led to higher salaries and better benefits for CROs, who are now in high demand.

While the role of the CRO has become more important, it is also more challenging. CROs must be able to anticipate and respond to market changes, while also ensuring that their companies are compliant with regulatory requirements. This requires a strong understanding of both finance and law.

In summary, the role of the CRO has evolved significantly over the past decade. While it is a demanding job, it offers great opportunities for those who are interested in finance and want to make a difference in the financial industry.
Ageism factor faces critical legal test in the UK

Prudence makes for a valuable workspace

Disability

Number of claims increases, defending a case is costly and negotiating a settlement offers a better way forward, reports Gill Plimmer

Risk Management People

Politics far afield demands attention

Latin America

Trust is a hard won commodity for multinationals in Latin America

Miles Johnson

Fearing Spain’s economic fate, Latin American business leaders who have concerns in the country, according to the latest research, are being affected by a number of factors. The survey found that the majority of executives in Latin America who are looking at the market in the region are not looking to enter the country as a result of the current economic difficulties. The survey also found that many executives are considering leaving the country, primarily due to the economic downturn and the difficulties they are facing in attracting new customers.

The onus is on you to provide opportunities for career progression for your staff

The Chartered Institute of Personnel and Development (CIPD) believes companies should be providing the on-site training and career development opportunities for older workers as they do for younger staff, but the case for age discrimination is minimal, says Mr Robertson. “Where employees have won damages at the same time contribut-

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For more information please contact:
Hope Kaye on the US at +1 (312) 995-1169.
HopeKaye@financialtimes.com

Clara Williams in the UK, +44 (0)20 7775 6362.
Clara.Williams@ft.com

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