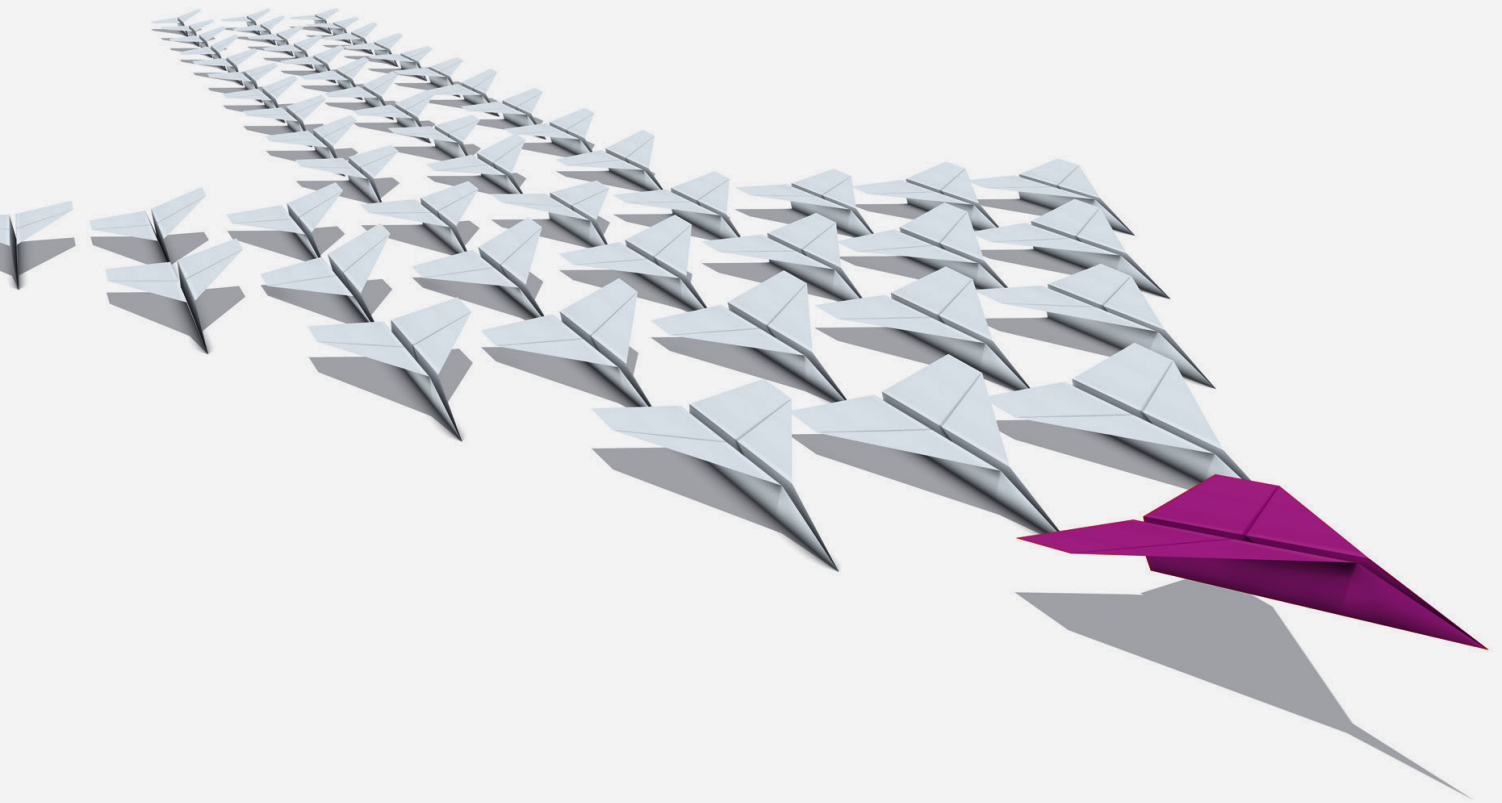




A leadership guide for the risk leader

Strategies and tools for the risk leader



Chartered Global Management Accountant® (CGMA®)

The CGMA designation is the most widely held management accounting designation in the world. It was established in 2012 by the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) to elevate the profession of management accounting globally. It distinguishes more than 150,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management. In the U.S., the vast majority are also CPAs. The CGMA designation is underpinned by extensive global research to maintain the highest relevance with employers and develop competencies most in demand. CGMAs qualify through rigorous education, exam and experience requirements. They must commit to lifelong education and adhere to a stringent code of ethical conduct. Businesses, governments and nonprofits around the world trust CGMAs to guide critical decisions that drive strong performance.

cgma.org

Contents

4 Skills to navigate risk landscape

5 But **how** does a risk leader lead?

9 Risk leader checklist

12 Additional resources

13 Acknowledgements

Skills to navigate risk landscape

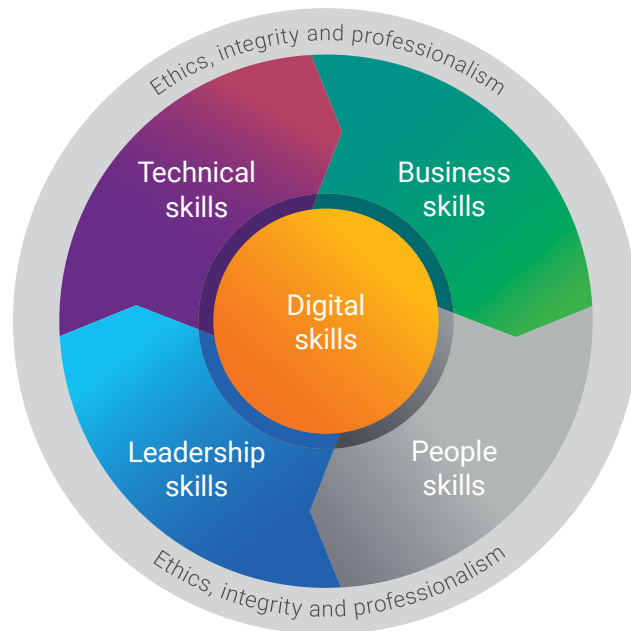
Agility. Awareness. Complexity. Continuity. Influence. Leadership. Strategy.

These are skills needed to navigate and manage the risk landscape of today. The luxury of annual monitoring and intermittent identification of risks is a practice of the past. The need to manage risk effectively and promptly has risen to new levels. The complexity of the risk environment requires awareness, dependent very much on the entity's culture(s) and strategies. To lead a successful risk program, the finance professional

must be a strategic thinker, analytic superstar, agile and resilient leader with the ability to communicate and motivate the organisation to success and continuity.

This tool explores the requisite skills, talents and abilities required to lead your organisation's risk program. In addition, there will be a focus on **how** to develop these skills, both in yourself and your teams.

Figure 1: CGMA Competency Framework – 2019 Edition

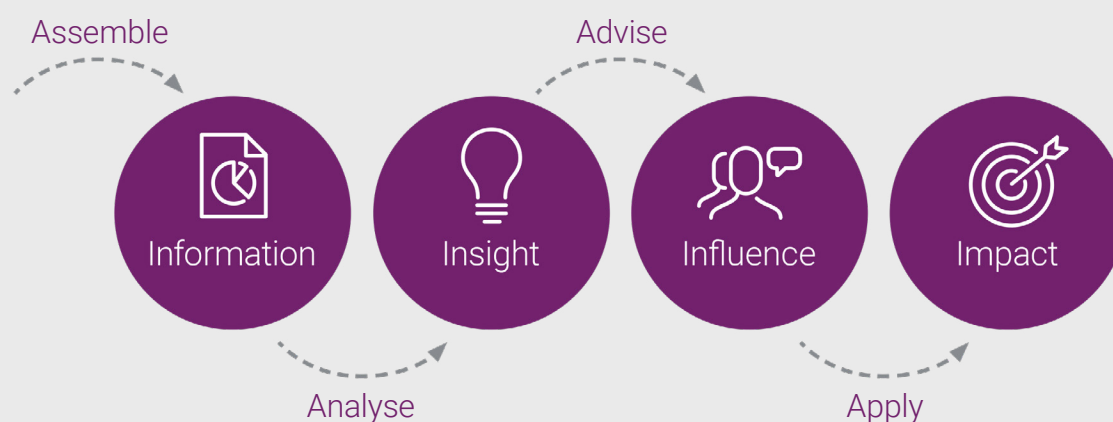


The leadership qualities needed to successfully lead an organisation through its Enterprise Risk Management processes are integrated into the holistic competencies of certified accountants and financial professionals. The CGMA Competency Framework, shown above, demonstrates leadership skills as one of five necessary

knowledge areas. Inherent within each skill area is the professionalism and ethics of the individual. As can be expected, there are varying levels of proficiency within each of the skill areas: Foundational, intermediate, advanced and expert. All five skills work together and function at different levels in the risk leader.

The role of the finance professional from information to impact

Finance professionals are expected to add value to an organisation. This can be done through a process of: (a) Assembling information – Unstructured data from a range of relevant sources is collected and cleaned from its raw format and assembled into meaningful information. (b) Generating insights – Analysis of both financial and non-financial information leads to insights needed to improve the performance of the organisation. (c) Influencing decision-makers – Insights are obtained and then used to advise and influence relevant stakeholders within the organisation. (d) Achieving impact – Management accountants use enabling and control systems (e.g., strategic planning, budgeting and performance reviews) to guide actions and help ensure the required impact is achieved.



Reference: CGMA Global Competency Framework 2019 edition, page 5

But **how** does a risk leader lead?

First off, know that, as a leader, **you can't and won't know everything**. Developing, creating, nurturing and building a team of individuals who have strengths to complement one another in each of the areas is critical. Humility in leadership enables success for your team and organisation. Further, recognise that while you empower this team to make the necessary decisions to evaluate, mitigate and identify and analyse manage risks, you do not own the risks – these are owned in the particular function or business unit from which they arise within the organisation.

Know your role. Bring to the table the overall strategy, vision and ultimate end goal. Ideally, you've been included in your entity's strategies, goals and mission/vision development and revisions. You've heard various stakeholder's needs, wants and nice-to-haves. You are aware of the constraints: time, budget, resources, support and third-party assistance. Key performance indicators (KPIs) have been discussed at an executive level for at least the most critical of identified risks. Your role is to ensure that your risk team is aware of how the variables affect their daily work and achievements. And plan for failures: Expect the unexpected by proactively preparing, identifying and dealing with potential failures. Foster an environment that allows for learning through failures.

Know your team's role and know your team and the culture in which they are operating. Through awareness, analysis and listening, determine your team's strengths and weaknesses and position them for success. Ensure that appropriate and relevant training is received. Do not be one of 'those' managers who is known for micro-management. As a leader, you've come up through the ranks and therefore have a lot of knowledge and experience to impart. Let your team develop their skills and abilities with direction, but not constant oversight, especially at the mid-level and above. In the multi-generational, evolving business environment in which we all find ourselves, there is rarely only one single path to the same outcome. Guidance is often appreciated.

Communication and influence. As a leader, your team is no doubt very diverse in all areas (education, experience, social, etc.) and, with that, several methods of communication should be used. Whether it is one-on-one weekly meetings, a large weekly meeting with the team, or email directions and information, ensure that your team is kept abreast of current activities relevant to their position and the organisation. Gone are the days when an employee is 'tested' by withholding information. Transparency is critical in risk and it begins with you and your frequent, relevant, timely and sensitive communication. Effectively influencing both upwards and downwards in your organisation includes being able to affect decision-makers and implementers.

Another point on influencing. You may wish to develop a network of managers, staff or other interested "champions" in the organisation. These folks may not directly report to you or your office, but can play a pivotal role in the early identification of risks and further analysis when needed. Successfully leveraging this network serves as a force multiplier for your influence. On the other hand, if this network is poorly leveraged or ignored, the force multiplier works in the opposite direction to your detriment.



What does influencing look like?

The skill of influence is often demonstrated through your

- willingness to learn (and listen),
- acknowledging viewpoints different from yours instead of quickly jumping to defend your viewpoint,
- supporting organisational initiatives (even those that are not developed by your team),
- the gravitation of others towards you in mentor/mentee relationship,
- creating a cohesive and respectful environment to allow for mistakes and failures as well as successes and merits.

Trust your team. The remote and virtual environment kicked off the current decade, and trust was a spotlight focus. Trust has to be earned; your responsibility as a leader is to cultivate the proper environment that begins with leading by example. Demonstrating the behavior you seek from your team is an effective method of encouragement. Honesty is a critical facet of trust. Although this may at times be awkward, it should never be rude or demeaning. As a leader, taking the time to actively listen is a purposeful activity that will soon become a habit. Seeking feedback from your team, as well as providing the same, cultivates a culture of accountability and ultimately trust.

In the early stages of an Enterprise Risk Management program, people may be reluctant to share risks as they perceive that it shows weakness in their management. You must work to build trust and ensure that as risks are identified, those identifying risks are not penalised. The goal is to promote transparency and communication and this can only be accomplished in an open and trusting environment.

Drive performance. Ultimately, performance is the measurement of success. The ability as a risk leader is reflected in possessing the necessary skills and applying these skills to drive results towards the success of the entity in achieving its strategic objectives. The **leadership skills** identified to attain success are provided from the 2019 edition of the CGMA Competency Framework and include:

1. an understanding of the business structures, operations and financial performance
2. management responsibility for implementing and achieving results
3. a strong understanding of the organisation's environment, current strategic position and direction, with strong analytical skills and the ability to advise on strategic options for the business
4. ability to develop strategic vision and provide unique insight into the overall direction and success of the organisation

The **application of leadership skills** is often demonstrated through the influencing skills as outlined above as well as developing a reputation for being a subject-matter expert or thought leader in the risk discipline. This comes from not only educating yourself on relevant and current information, trends, and regulations but disseminating these to your staff and other pertinent stakeholders in the organisation. Demonstrating a positive, inquisitive, solutions-oriented character and encouraging those around you to do the same is a key skill of a successful leader.



CGMA leadership skills defined

Intermediate

- Manage and communicate all aspects of the performance management process, ensuring alignment with development plans.
- Ensure accountability among the team to set stretch targets; drive challenging targets and review functional performance against these targets.
- Create an environment where teams and individuals enjoy achieving results; leverage additional capability in resources to deliver results.
- Promote the expectation of exceptional performance as the norm; look for new ways to improve performance and deliver value.

Expert

- Lead in driving and enhancing performance management throughout the organisation.
- Establish and drive the strategies and standards required to deliver against business plans; translate internal and external analysis into strategy and action.
- Set and promote standards for best practice and outstanding service delivery; create programmes and incentives that drive and reward results.
- Set up and structure business units so they can deliver against strategic targets.

¹ [CGMA Competency Framework, 2019 edition](#) p. 67

‘A robust [Enterprise] Risk Management system is like a bridge over spans of dangerous waters that provides an enterprise capability to carry and leverage its business opportunities. The stronger this bridge the greater the spans and risk load bearing capacity and that enables an enterprise to monetize the opportunities with greater **leadership agility**’.

Ash Noah, CPA, FCMA, CGMA, VP & Managing Director CGMA Learning, Education & Development at the Association of International Certified Professional Accountants

Be agile. The definition of agile is the ‘ability to move quickly and easily’. Agility has quickly come to the forefront globally and focuses not only on flexibility and change but on resilience, continuity and efficiency. The effects of excellence in agility are ultimately seen in the success of the financial performance of an organisation. Although agility has come to be understood as going hand in hand with technology, the demonstration of agility is beyond increased technical and digital skills and awareness. Many attributes define an agile leader, including:

Adaptability – An agile leader must adapt to lead in times of disruption. Having the courage to be nimble and take action to address disruptions based on current relevant information and trends is what defines an agile leader.

Collaborative – To implement operational and process changes, an agile leader must be collaborative to trust and empower their teams to solve problems most efficiently. Agile leaders foster inclusive cultures where differing perspectives and ideas are encouraged and celebrated.

Curiosity – Agile leaders continuously listen and learn with a genuine curiosity and openness for process improvements.

One of the first things accountants and finance professionals are told as they enter into the profession is the 80–20 rule. ‘Twenty percent of the people do 80% of the work’, ‘20% planning; 80% execution’ and the list goes on. For a risk leader, this could mean concentrating 80% of the efforts on the 20% of identified critical risks, or finding 20% of your work and your team’s that delivers 80% value. Agility is a form of efficiency and looking beyond the habitual methods of thinking and practicing this will yield results. Beyond the immediate results, this change in approach will increase the value that your team can provide to the organisation.

Change strategies quickly. This has never been more apparent than in early 2020 when the entire world was forced to rethink how work was accomplished on nearly a week-to-week basis. An organised, formal risk discipline is newer than established functions like finance or accounting. Organisations are adapting to what this new function looks like and what to do with the new information that an Enterprise Risk Management program provides to executive management. What does this mean to the risk leader? You must be agile and change strategies quickly if something isn’t working. New risk leaders may fall into the trap of providing too much information, risk heat maps that are too detailed or too much analysis to executive management. The risk leader must listen to the audience for their needs and quickly adapt or refine strategies if something isn’t working.



Clear leadership

Strong leadership is one of the top three critical success factors for a successful finance transformation. Leaders have many roles: introducing and communicating the need for change, acting as a change champion and enrolling employees in idea generation. Concurrently, leaders must ensure that their teams have the right mix of digital, technical, business and people skills to deliver.

Reference: [Association of International Certified Professional Accountants and KPMG International joint report](#)

Risk leader checklist

Questions for a risk leader and sample responses

Question	Yes	No	Maybe	Action item/notes/example
Me				
1. Have I done a skills analysis of myself and team?		X		<i>Note: Make sure I do this.</i>
2. Have I identified skill gaps?	X			<i>John needs to develop entity understanding – check out AICPA/CIMA/CGMA for additional resources.</i>
3. Have I identified what we are doing great? And am I replicating it?			X	<i>Sometimes – I need to do better at this. Sylvia is excellent at designing easy to understand slides to convey risks to our various departments. I'll start by leveraging her.</i>
4. Have I identified growth opportunities?			X	<i>Need to finalise for each staff member</i>
5. Do I think I'm missing something?			X	<i>Do a quick search (and assign to some staff) of risks related to my industry; think outside the box purposefully.</i>
6. Do I foster a culture of risk awareness in the organisation?	X			<i>Training for managers and staff, open communication, etc.</i>
7. Professional networking: Do I have a strong network of professional risk managers?			X	<i>Increase connections on professional networks.</i>
My team				
8. Is my team working with a direct focus on strategy?	X			<i>My performance goals as well as my teams link to our organisation's strategies/mission. We discuss these frequently and link our daily work to the overall strategy</i>
9. Do my team and organisation have a common 'risk' language that all understand?			X	<i>My team knows the lingo but we do experience barriers in understanding as terminology can be confusing. Assign Cathy to develop a 'Risk Dictionary' and then involve the whole team in enterprise training efforts.</i>

Question	Yes	No	Maybe	Action item/notes/example
10. Do I have a mechanism to measure performance and ensure accountability?		X		<i>Develop performance and outcome measures. Review them on a routine basis and discuss them with key stakeholders.</i>
11. Are there pockets (i.e., departments or teams) within my organisation that appear to ignore risk or be risk-averse? How can this be addressed?	X			<i>The training area of my organisation seems to be seen as mitigation of risks; BUT I need to investigate to see what risks exist there.</i>
12. Have we built enterprise-wide risk management skills? Do we collaborate with HR on necessary skills?			X	<i>Look into how we teach or coach risk within the organisation. Understand how staff use risk to draw conclusions.</i>
13. Professional networking: Is my team actively developing a network of risk professionals both internally and externally?		X		<i>Identify and align with risk leads in other departments. Encourage team and allow time to attend events.</i>
14. Is my team aware of the connection between what they are doing and how it meets the organization's strategies?			X	<i>Sometimes, but not always.</i>
15. Is my team able to bridge communication of the risk program and understand it themselves?			X	<i>They seem to struggle a lot with conveying their understanding outside of our team.</i>
My organisation				
16. Is my organisation equipped to handle change?			X	<i>Analyse and document how the organisation identifies and responds to change.</i>
17. Is my organisation willing to make changes?	X			<i>Continue to develop and improve the right communication, change management approach, and training.</i>
18. Are risks linked to the strategic goals of the organisation?			X	<i>Check into whether risks are written as an 'abstract' and that they can be tied to the strategic goals of the organisation.</i>
19. Does my organisation's budget tie to a strategic plan that mitigates risk to a tolerable level?	X			<i>I am responsible to fund the performance goals that link to the organisation's mission.</i>

Question	Yes	No	Maybe	Action item/notes/example
20. When risk arises, does my organisation have the infrastructure to communicate about those risks both internally and externally?			X	<i>I am responsible to fund the performance goals that link to the organisation's mission.</i>
21. Can my organisation articulate the difference between enterprise risk management, internal controls and internal audits?		X		<i>Develop, train and implement training.</i>
22. Does my organisation have a formal Enterprise Risk Management process?	X			<i>Yes!</i>
23. Is the formalised process adopted by the executive staff?			X	<i>Need to check executive meeting minutes.</i>
24. Have we built skills related to internal controls and testing of internal controls?			X	<i>Determine how skill development is handled entity-wide.</i>
25. Can we work with HR to develop a basic understanding of internal controls and create a mechanism to report internal control deficiencies when they are identified internally?			X	<i>Work with HR to determine if adequate training is available to all employees.</i>
26. Has my organisation identified an internal control framework and does it periodically test key controls?	X			<i>Do we have a formal internal control framework and a plan and personnel to periodically test those controls?</i>
27. Does my organisation have a risk champion/risk network?		X		<i>These are people who are 'interested' but not a formal part of their duties.</i>

Additional resources

2021 Risk Heat Map

[cgma.org/content/dam/cgma/resources/tools/downloadabledocuments/risk-heat-map.pdf](https://www.cgma.org/content/dam/cgma/resources/tools/downloadabledocuments/risk-heat-map.pdf)

Communicating Risks using a Heat Map

[cgma.org/content/dam/cgma/resources/tools/downloadabledocuments/communicating-risk-may2021.pdf](https://www.cgma.org/content/dam/cgma/resources/tools/downloadabledocuments/communicating-risk-may2021.pdf)

CGMA Risk Resources

[cgma.org/resources/risk-management.html](https://www.cgma.org/resources/risk-management.html)

CGMA Competency Framework

[cgma.org/resources/tools/cgma-competency-framework.html](https://www.cgma.org/resources/tools/cgma-competency-framework.html)

Enabling the accountant's role in effective ERM

[cgma.org/resources/reports/enabling-the-accountants-role-in-effective-enterprise-risk-management.html](https://www.cgma.org/resources/reports/enabling-the-accountants-role-in-effective-enterprise-risk-management.html)

AICPA Risk Management Resources

[aicpa.org/interestareas/businessindustryandgovernment/resources/erm.html](https://www.aicpa.org/interestareas/businessindustryandgovernment/resources/erm.html)

Global Management Accounting Principles

[cgma.org/resources/reports/globalmanagementaccountingprinciples.html/](https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples.html/)

Finance Transformation: The Human Perspective

[cgma.org/resources/reports/finance-transformation-the-human-perspective-form-2.html](https://www.cgma.org/resources/reports/finance-transformation-the-human-perspective-form-2.html)



Lori A. Sexton, CPA, CGMA

Senior Technical Manager, Management Accounting
Association of International Certified Professional Accountants

Suzanne Lowensohn, Ph.D., CPA, CGMA

Associate Professor of Accounting
The University of Vermont

Jeff Parkison, CPA, CGMA

Director – Treasury and Financial Planning & Analysis
City Utilities of Springfield, MO

Steve Vetter, CPA, CGFM

Compliance and Risk Officer
Administrative Office of the U.S. Courts, Federal Judiciary

Founded by AICPA and CIMA, the Association of International Certified Professional Accountants powers leader in accounting and finance around the globe.

cgma.org