

Managing risk comes with accountability

Public companies most likely to hold leaders responsible



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Who owns risk?

According to Business Insurance's first Risk Insights report, lines-of-business leaders and managers responsible for the execution of processes within an organization are becoming the ultimate owners of risk in their areas of responsibility.

That means they're being held accountable for results.

The survey indicated that risk management beyond its traditional scope is becoming important to organizations. Risk exists in every aspect of an entity, and managing that risk is becoming as common as managing people or processes.

In fact, Business Insurance's recent survey of risk managers found that in 70% of organizations, department heads and/or line-of-business leaders are held accountable for risk in their areas. Among public companies, 80% identify risk owners. The percentage drops to 68% in private companies, 63% in government entities and 59% in nonprofit organizations.

Not surprisingly, in companies that identify risk owners, those individuals are more actively involved in risk management. In 42% of the cases, these line-of-business leaders identified their risks and communicated them to the risk manager, who is in charge of putting together a plan to prevent or mitigate the risk. In 37% of the cases, business leaders and risk managers work together in identifying the risks and finding ways to manage them.

Organizations are more likely to offer entitywide risk management or risk awareness training when the heads of a line of business or process are responsible for a risk. That was the case in 45% of those companies compared with only 33% of the companies that used a more traditional risk management approach, according to the survey.

The identification of risk owners also affects the incentives and rewards systems in an organization, according to the survey. In 40% of companies where line-of-business leaders are designated as the risk owners, risk management is a factor in the annual incentives and rewards program.

Traditionally, risk management has played a role in the rewards and incentive programs at the top management level. In slightly more than half — 52% — of entities that identify risk owners, risk management is part of the rewards and incentive programs below top management, the survey found. The survey also found that in an overwhelming majority — 88% — of these organizations, risk is an important consideration in key decision-making processes.

Risk Insights are based on survey results from the Business Insurance Risk Management Insights Panel, which includes 530 risk managers from a variety of industries.