Is It Time for a Chief Risk Officer?

Risk is like a wildfire—it shoots up in multiple locations and spreads quickly. You think that you have it contained, then BOOM, there it is again. In environments that have hot dry seasons, fire crews are on standby, totally prepared to extinguish fires. Yet *over 70% of non-financial corporations do NOT have a Chief Fire Officer, aka Chief Risk Officer (CRO)*, reporting to the CEO and part of the Executive Team (GC [compliance/legal], CFO [finance], CISO [data & systems], CHRO [people], etc.).

Given that:

1. **The world/national environment is increasingly affected by fast-moving, fast-changing situations that are volatile, complex, and quite ambiguous—i.e., it's a hot season companies are in with lots of dry tinder around**.
   a. That "dry tinder" is causing more risk—more financial market/liquidity/credit risk for the CFO; more regulatory/compliance risk for the GC; more data security, cybersecurity, and third-party risk for the CISO; more conduct and culture risk for the CHRO; more operational risk for the COO; and more strategic/reputational and new risks for the company and all its executives and Board.
2. **It's the risk multipliers—the ways that different risks in different departments/areas/locations intersect and amplify one another—that needs to be always watched carefully.**
   a. The risks mentioned in (1) are also becoming more interconnected, with individual risks rapidly cascading. For instance, on 2/23/23, the failure of just one mechanical part on one Norfolk Southern train where no one was killed has already cascaded into over $400M in clean up and legal costs so far.

      These cascading risks, starting small and quickly building into significant enterprise risk, are called risk multipliers. To manage these risks requires a dynamic, forward-thinking systemic approach headed by a risk specialist, the CRO.
   b. There needs to be one person building internal relationships with CISO, GC, CFO, CMO, CHRO, etc. solely to discuss all these types of external risks' impacts on the internal departments' activities, gathering from these executives' likely customer /vendor/government reactions and preparing pivot plans in advance for the executive committee and CEO's consideration/input, with the Board being apprised regularly of risks meeting certain levels of concern.
3. **The analytic risk systems when coupled with human capital checkpoints are quite effective in monitoring risk multipliers and are readily available.** Example: for more info on risk systems with the human element checkpoints, see the NACD article on reputational risk management I co-authored; for more info on some additional human capital risk management ideas, read about organizational "canaries in the mineshaft" in my Personality and The Echo Effect article.
4. **The accelerant, social media, has already and continues to obliterate much corporate shareholder value.**

Yes, it is time for corporations to follow the lead of General Electric (NYSE global conglomerate), AEP (the largest US transmission system), McCormick & Company (NYSE global flavor leader), etc. by dedicating an executive in charge of employing/leading the best firefighters/systems across their organizations to monitor, control, and extinguish risk multiplier sparks before they merge/multiply into a raging conflagration.

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