

Building risk competence

Risk competence is defined as an ability or capability to manage risk (and uncertainty) within a work role. It is a complex term used to describe individuals, small groups, and whole organizations.

WP.6, through its publication *Risk Management in Regulatory Frameworks: Towards a Better Management of Risks*²³ argues that risk management should be a central process (involving all stakeholders such as regulators, policymakers, or a business) underlying all regulatory activity. Such stakeholders make decisions that require application of risk management tools (risk knowledge). The authors of the publication ask: "What is good risk management?". Their answer includes establishing the context and timely identification of risks, ensuring risks are properly analyzed and evaluated, and that a balanced risk treatment is chosen and efficiently implemented. However, merely completing such risk management activities does not guarantee successful, effective, or efficient risk management. Stakeholders and their agents must undertake such risk management activities with competence and their organizations must have the risk management capabilities required to ensure goals are met. Furthermore, risk management requires a collaborative approach within and across organizations.

Risk Management is the process whereby individuals or groups address risks associated with goals and activities. The necessity for risk management in regulatory systems is further highlighted in, ECE publication, *The Basics of Quality Infrastructure for Trade*.²⁴ Through market surveillance, Government agencies contribute to ensuring

that products do not endanger health, safety, or any other aspect of public interest. This manifests in standards, technical regulations and enforcement plans based on an analysis of risk at all stages of the product lifecycle. The objective of risk management is to get to a tolerable level of risk in the most efficient way. Achieving this goal requires a formal risk management process, which will entail establishing the context, identifying the risks in a timely manner, evaluating the risks (most critical risks receiving the highest priority), choosing a risk treatment strategy, implementing that strategy and contingency planning (where the risk occurs). Applying best practice on risk management in regulatory frameworks and international trade results in regulations that make products safe, make organizations' processes stable and ensure consumers are better protected from hazards without stifling growth or creating barriers to trade.

For market surveillance authorities, properly identifying the risks that products placed on the market may cause is a prerequisite for developing timely and appropriate measures and ensuring marketplace safety, as per the ECE *Recommendation R on Managing Risks in Regulatory Frameworks*.²⁵ However, it is widely acknowledged that simply being aware of the risk management process, tools or broader risk theories does not in itself bring about the effective and efficient mitigation of risk. Rather, it is the activity and decisions of experienced people. They must know the right things to do and must do those things correctly. What is the knowledge and what are the skills, attitudes and the behaviors required by professionals seeking to mitigate risk in this context? How can organizations and individuals develop the capabilities to become risk competent?



²³ See: <https://unece.org/info/Trade/WP.6/pub/2458>

²⁴ See: <https://unece.org/info/Trade/WP.6/pub/385732>

²⁵ See: https://unece.org/fileadmin/DAM/trade/wp6/Recommendations/Recommendation_R_en.pdf

What does it mean to be risk competent?

A competence is a set of knowledge, skills, and attitudes (KSA) that manifest in our behaviors. They represent the underlying attributes that result in effective or superior job performance. Typically, behavioral proficiency indicators are described for each theme of the competence. Competency approaches are now an established integral feature of many private and public organizations. Risk competent professionals (individuals, groups of individuals, institutions, or organizations) can manage risk and uncertainty within their role. The European Entrepreneurship Competence Framework (EntreComp) is a common reference framework that identifies fifteen competences,²⁶

one of which is “**coping with uncertainty, ambiguity and risk.**” Whereas the EntreComp framework is targeted at entrepreneurs, there are other risk-focused competency frameworks with broader target audiences.²⁷ The Institute of Risk Management (IRM) publish a framework²⁸ for those working in risk management and describes what risk professionals should know and be able to do. The IRM advocates that managers should ensure risk management is incorporated into their thinking, planning, organizing, and controlling. Risk competent managers must understand the internal and external environment of an organization and its implications for risk management. Risk competent managers may also need to be able to identify, analyze and evaluate

the nature and impact of risks and opportunities in their business area. Furthermore, they may be expected to develop, select, and implement risk treatment strategies and controls. In respect of people management, the risk competent manager is likely to influence the risk behavior of others, support individuals and teams in the practice of risk management and develop risk competence in the workforce and workplace. Thus, risk competence generally reflects abilities to identify, analyze, assess and prioritize, treat or control risks within accepted levels of tolerance and risk attitude and in a cost-effective manner. A risk competent professional is one who exemplifies (relevant) behaviors such as:

- Showing awareness of how the way work is undertaken might affect risk elsewhere; i.e., how actions and decisions may introduce threat(s) or create vulnerability.
- Applying relevant risk-related knowledge, skills, tools, techniques, standards, and frameworks in the pursuit of work-related goals.
- Ensuring regularly and in a timely manner that risks faced are identified, analyzed, assessed, and prioritized (and if necessary, reported).
- Taking proactive steps to reduce threat and maximize opportunity to attain goals within work constraints, by evaluating risk and treating intolerable risks in an effective and efficient manner.
- Ensuring resilience (adaptive capacity, considering continuity and contingency).



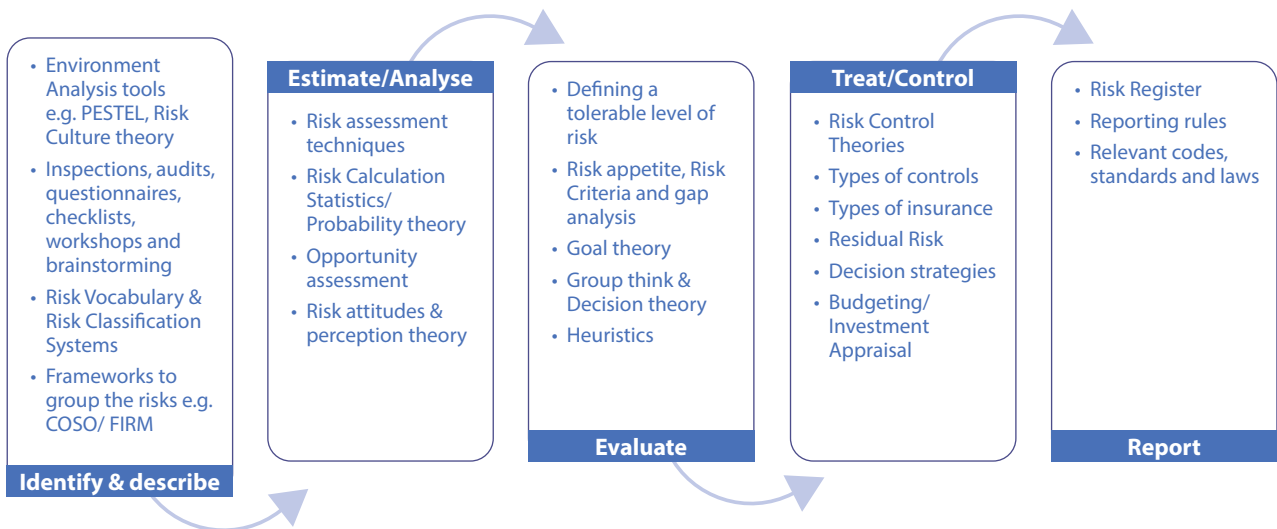
²⁶ European Commission, Joint Research Centre, Bacigalupo, M., Kampylis, P., Punie, Y. et al., *EntreComp – The entrepreneurship competence framework*, Publications Office, 2016, <https://data.europa.eu/doi/10.2791/160811>

²⁷ Kelly, P. (2023), “Are you competent coping with uncertainty and risk? Implications for work-applied management”, *Journal of Work-Applied Management*, Vol. 15 No. 2, pp. 241-251. <https://doi.org/10.1108/JWAM-10-2022-0071>

²⁸ IRM (2002), “A Risk Management Standard”, AIRMIC, ALARM, IRM, pp. 1–14. Available from https://www.theirm.org/media/4709/arms_2002_irm.pdf (accessed 12 Feb. 2024)

FIGURE 3: KNOWLEDGE COMPONENTS OF RISK COMPETENCE

RISK KNOWLEDGE



Source: WP6

How can you develop risk competency?

It is important to recognize that risk and risk competence are associated with context (a variable). Context will include aspects of the organization, its (risk) culture, the national culture (values such as uncertainty avoidance or tolerance for ambiguity), specific goals and role. Individuals and organizations also vary in risk attitude and appetite, their risk tolerance (readiness to bear the risk after risk treatment) and the way they seek to treat and control risk. They also differ in their use of risk strategies such as risk avoidance, risk sharing (distribution of risk with other parties) and extent of risk financing. Consequently, individuals and organizations vary in the KSAs and behaviors they require to be risk competent – KSAs underpin risk competence and associated risk behaviors. Risk knowledge is extensive.²⁹ For example, there is a vast number of academic journal, magazine and news articles containing “risk” in their title, with

the addition of textbooks, standards and on-line resources; this creates a wealth of risk knowledge for practitioners to embrace. We can use the risk management process (the core set of risk activities) and its outputs as a reference point to map specific risk knowledge requirements, see figure 3.

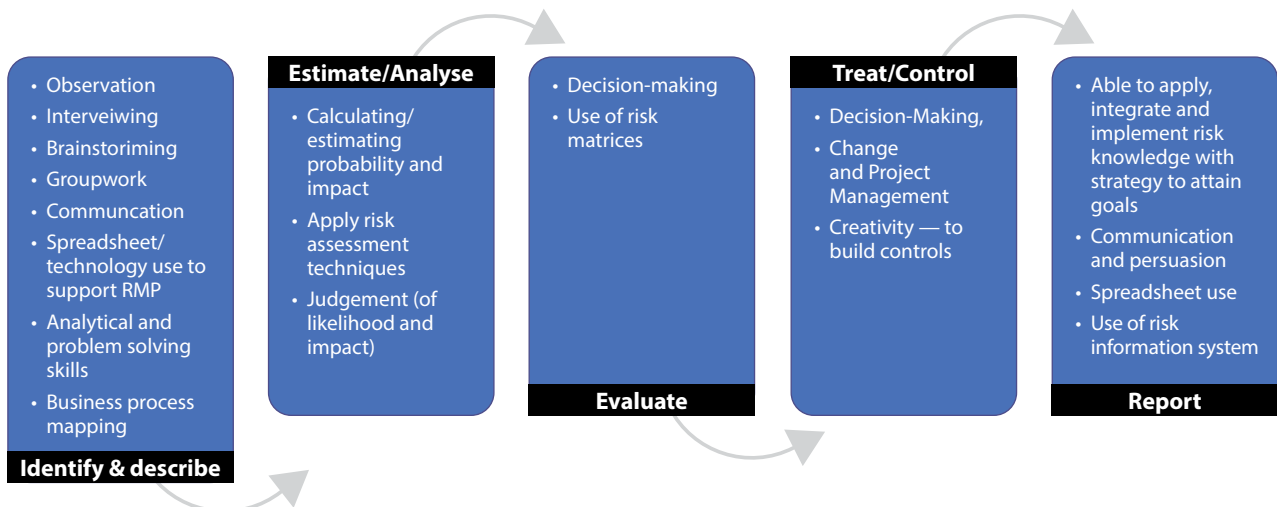
Risk knowledge has various attributes such as level and depth. At the base level (understanding), a professional may simply be aware of the risks that impact upon goal attainment and be able to contribute to risk decisions. At the next level they may be able to analyze (identifying and assessing) risk and apply limited areas of knowledge, e.g., to select appropriate risk controls. In the most advanced level, the risk-competent professional should be able to evaluate risk and be able to rate, prioritize and justify actions. Furthermore, they may be able to create risk tools (such as risk checklists or registers) or design risk controls. There are numerous sources of risk knowledge.³⁰ The body of risk knowledge

refers to the core teachings and skills required to become risk competent. There can be much to learn about risk identification, analysis and assessment. Initially, this may derive from general risk textbooks. Once analyzed within the risk management process, the next step will be to consider and make decisions about what and how to control a particular risk. As a starting point, understanding generic aspects of management control will help towards treating or controlling risk. Risk knowledge can also be gained from a variety of risk standards³¹ and publications from organizations such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The risk competent professional may also be aware of relevant codes and legislation such as the Sarbanes-Oxley act of 2002 (SOX) or the UK corporate governance code. Finally, there are a variety of organizations such as the IRM that offer risk training to exchange risk knowledge.

²⁹ See: Kelly P. (2018), “The Evolution of Risk Management Thinking in Organizations”, Engemann K. (Ed.), The Routledge Companion to Risk, Crisis and Security in Business, Routledge, London and New York, pp 20-46.
³⁰ See, for example ECE *Risk Management in Regulatory Frameworks*, op.cit.
³¹ See for example ISO 31000 series of standards.

FIGURE 4: SKILL COMPONENTS OF RISK COMPETENCE

RISK SKILL



Source: WP.6

Aside from growing their risk knowledge, risk competent professionals will gain experience in application, developing risk skills. The ability to use risk knowledge effectively leads to the development of risk skill – the ability to perform risk-related tasks and activities well.

Risk skills may be categorized as generic management skills or may be specific to risk management. They may be regarded as technical (based on risk knowledge application) or people skills (communication, relationship, analytical and management). Analyzing and

estimating risk is often a key skill of the risk competent manager as risk decision making quality depends upon it. The ability to calculate risk has become increasingly difficult and error prone. When operating in turbulent environments, and in the absence of historic risk-related data, managers often need to make subjective judgments about risk; this is a skill born out of experience. Risk estimation and assessment is a precursor to response, control, and treatment. The range of skills required can be extensive, and dependent upon role and context. A selection of risk skills, mapped against risk management process tasks and activities, is indicated in figure 4.

The risk management technical skills of the competent risk professional are likely to be broader and more honed than those of others with a general interest in risk. There is likely to be a need for skills associated with planning (risk management strategy), implementing a risk management architecture (change management); measuring risk management performance and learning from collective risk management experience. Examination of the vast range of risk-related knowledge and skills emphasizes the need for individuals to tailor their own



definition of risk competence and own framework of knowledge, skills, and behavioral indicators for their role needs. Many aspects of risk competency are encapsulated in the ability to create or contribute to a risk register, a record of information about identified risks. This is a key output of the application of risk related KSAs. The register should identify risks faced, controls currently in place, additional controls required and responsibility for control activities. The register is dynamically updated as different activities in the risk-management process are completed.

