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The Rise of the Female Risk Professional

The post-crisis financial world offered new opportunities and demanded diverse perspectives

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Immediately following the financial crisis of 2008, corporations in general, and financial firms in particular, were scrambling to understand what had gone wrong, how and why. Accompanying the self-diagnoses, which drew attention to breakdowns in risk management, was a search for new solutions and a desire for fresh talent for this critical control and oversight function. In the process, a number of firms promoted women up and into the senior ranks of risk management.

Davia Temin, CEO of management consultancy Temin & Co, notes that going against the grain during the crits, helped elevate some women into senior risk roles.

Recruiters and risk professionals say it is difficult to pinpoint the exact number or proportion of female hires in recent years. Nevertheless, the increased presence and prominence of women brought overdue diversity to an area that was not only historically male-dominated, but also did not get the recognition or respect it deserved prior to the crisis.

"In many ways, we have been seeing that in all areas, not just risk, women are becoming more prominent," states Lisa Zonino, a consultant in the New York office of executive search firm Egon Zehnder. "Many boards and senior management teams have really committed to diversity in general, which is a good thing, and that tide has also elevated women into senior risk management roles."

At least two high-profile women banking executives who blazed the trail into top risk positions worked through the turmoil of 2007-'08 but subsequently departed: Amy Woods Brinkley, who was Bank of America Corp.'s global risk executive from 2001 to 2009; and Maureen Miskovic, chief risk officer at State Street Corp. and UBS between 2008 and 2011.

In 2007, toward the end of her five years as CRO of Lehman Brothers (a post previously held by Miskovic), Madelyn Antoncic argued against the risk-taking that ultimately led to the firm's collapse. Later she helped manage the post-bankruptcy Lehman Brothers Estate. Antoncic is now vice president and treasurer of the World Bank.

Among the senior-most risk managers in U.S. banking today is Nancy Shanik, who after three decades with Citigroup and a year with Alvarez & Marsal joined Providence, Rhode Island-based Citizens Financial Group in 2010 as chief risk officer. She is currently group executive vice president and CRO of $120 billion-in-assets RBS Citizens Financial Group and a member of its executive committee, the RBS Americas Risk Committee and the RBS Group Risk Board.

Since 2011, Helga Houston, formerly of Bank of America and Phoenix Global Advisors, has been CRO of the $57 billion-in-assets Huntington Bancshares in Columbus, Ohio.

Donna Howe, adjunct professor at the Brandeis University International Business School and a former GARP trustee, previously served as chief risk officer of Sovereign/Santander Holdings

USA. In Europe, Petra van Hoeken is CRO at Dutch bank NIBC after being in a similar role at RBS. Philippa Nesbit is CRO for Citi Private Bank and Citi Holdings.

"We have to remember that many women went against the grain during [the crisis period], and that helped to elevate them to senior risk roles as banks looked for new solutions," observes Davia Temin, president and CEO of New York-based Temin and Co., a boutique management consultancy focused on communications, reputation and crisis management. Temin believes that women were able to distinguish themselves and move up precisely because of their different perspectives and were willing to speak out and challenge the status quo.

But still, they are catching up to their rightful place.

Signs of Progress

Women control more than 60% of wealth in the United States and are projected to have two-thirds by 2030. More than 10 million U.S. businesses are majority or equally owned by women and, according to the National Association of Women Business Owners and the Small Business Administration, women employ approximately 27 million Americans.

Janet Yellen's rise to Federal Reserve Board chairman, Mary Barra's to CEO of General Motors Corp. and Virginia Rometty's to president and CEO of IBM Corp. were all firsts for women. At JPMorgan Chase & Co., which came through the crisis in good shape but has shaken up its senior risk and finance ranks in the wake of various regulatory issues and the London Whale trading debacle, Marianne Lake, a 15-year veteran of the company, has been chief financial officer since early 2013.

Reflecting the diversity in the cross-industry discipline of enterprise risk management, women occupy two of the top four elected board positions of RIMS, the risk management society: president Carolyn Snow, who is director of risk management at health care company Humana; and treasurer Julie Pemberton, director of enterprise risk and insurance management for Outerwall, which owns Coinstar and other consumer kiosk brands.

What's more, three of the four new directors recently added to the RIMS board are women: Gloria Brosius, director of risk management and insurance programs, Farm Credit Council Services; Jennifer Santiago, director of insurance, Novartis Corp.; and Janet Stein, director of risk management and insurance, University of Calgary.

"In finance specifically, but in other industries as well, you often find an influx of women when a new discipline is highlighted or firms want a new way of looking at something," says Temin. "All of a sudden you have to create a pool of people, so that's when firms start to look at women equally as they looked at men."

A Different Awareness

The financial crisis awakened the "sleeping dog of risk," agrees Richard Meyers, CEO of Richard Meyers & Associates, a risk-focused recruiting firm based in Warren, New Jersey. "When something of such magnitude happens, we find ourselves beginning to question the status quo to try to find new, appropriate solutions. That, I believe, contributed to the increase in female risk professionals at the time."

Temin compares the importance risk management gained after 2008, and the increased roles for women, to what happened when interest rate and currency swaps were new to investment banks.

"You found a lot of women coming in to lead swaps at that time. Why? Because no one had ever done them before, and women were a pool from which firms could draw new, raw talent," says Temin, who led corporate marketing efforts for Citi's investment bank and other major financial institutions. "It's also true, and we've seen this happen repeatedly, that when things get more challenging, you get more women coming in, and that has a lot to do with the fact that women will take on riskier assignments and will step up to them."

Before the financial crisis, women who had the requisite training and skills to manage risk were usually put in front-office positions, says Egon Zehnder's Zonino. "Now that the role has been elevated to such a degree, those same women are saying, 'This is an important role with impact, and I can have as much impact in risk as I can in a front-office role.'"

Behavioral Factors

Temin believes that many firms have based their risk-personnel choices to some degree upon studies showing how women manage risk differently than men do -- conclusions suggesting that women make better risk managers.

One finding is that women are naturally more risk-averse than men, and since the crisis, caution and restraint have been more valued.

Companies with women on the board may see better results, says Ellen Kinlin, president of executive search firm Kinlin Co.

Some studies have found that more women on company boards correlates with better overall results, notes Ellen Kinlin, founder and president of Kinlin Co., a global executive search firm based in the Boston area, specializing in asset and wealth management. According to a 2012 Credit Suisse Research Institute study, *Gender Diversity and Corporate Performance*, companies with women directors outperformed those with all-male boards by 26% over a six-year period.

"It's said that diverse boards tend to do better with managing debt, and are better at auditing when heightened scrutiny is warranted," says Kinlin.

In 2012, Kinlin Co. launched Women Executives, a division to build a global database of women executives in financial services and promote female representation in senior managements and boards of directors. Despite the performance-based evidence, "women still hold only a small percentage of board seats and lead directorships, and less than 3% of chairmanships at Fortune 500 companies," says Kinlin. "Having said that, I will say that I am beginning to see some real progress for the first time, especially over the past two years."

Dealing with Complexity

According to Carol Murphy, a managing director of reinsurance and risk management company Aon, women's proficiency at multi-tasking -- particularly when in leadership roles -- and ability to reach across an organization and even beyond its borders makes them ideal candidates to deal with the multi-dimensional challenges of senior risk management positions.

"Being a CRO, like a CFO, demands significant financial knowledge and experience," says Murphy. "But women are also suited to the CRO role, I think, because of the nature of the position. There is no real chain of command in a very senior risk role, because risk typically isn't a hierarchical function. It's more of an inter-connected, matrix kind of function, and women are very strong at forming relationships across an organization and being able to connect with and learn from others in an organization."

Murphy continues: "A tremendous amount of complexity has come into risk management after the crisis, and managing the many layers of risk requires strong skills and the ability to connect different parts of an organization that may have different, conflicting goals. Women are web-based thinkers, and this lends itself to the risk officer function."

Many firms have gradually gained awareness of the multi-dimensional nature of risk and the suitability of multi-taskers to manage it. Recruiter Meyers says women's relevant skills and qualities could not be ignored, and "I have indeed placed a number of women in senior risk positions in recent years."

Generalizations Can Be Overdone

In 2012, in fact, Meyers placed a woman in a senior risk position at a credit union in Virginia. "She was so good at what she did, and they were so impressed by her ability, that they wound up bringing her in at the VP level, higher than where they'd originally intended to place her."

That same organization, Meyers points out, was intent on hiring "the most talented individual out there," regardless of gender.

Today, the importance of risk management is a given, along with an understanding that it is infinitely variable, always shifting and difficult to quantify, says Meyers. Meanwhile, regardless of gender, the talent pool, though heavily in demand, is expanding, in part thanks to university-level educational programs and the growing population of credential-holders like FRMs.

"Today, it is not a question of whether women are better for the job of risk officer because men are less capable of it," says Meyers. "It is that the challenge we've faced and continue to face with respect to risk has been recognized at all levels, and firms know that they can no longer look at risk one-dimensionally."

It follows that over-emphasizing behavioral or gender-based differences would be as much an over-simplification as were the historically unidimensional or siloed approaches to managing risks.

"While it is true that some studies have concluded that many women are more risk-averse than men, much of this is perception or anecdotal," says Kinlin. "In today's world, a lot more needs to go into the equation and into the selection of risk officers than gender alone."

Kinlin notes that both men's and women's risk-taking or risk-aversity will vary from one life stage to another. In other words, behavioral factors can be highly nuanced and difficult to generalize.

"To simply say that women are more risk-averse than men is a flawed statement," Kinlin adds. "What we do know is that companies tend to perform better when there is a better balance of men and women. This may have something to do with offsetting certain group dynamics where there are all or mostly men and few or no women present, but our research informs us that parity in and of itself plays more of a role."

Talent Comes First

As Meyers sums it up, "We can safely say that women have made significant strides in getting their arms around risk management in all its dimensions. But as we move on from here, I think we can safely say that we are not going to see a preference by gender, but one by talent instead."

A good risk manager will need the ability to respond quickly and effectively to a range of different issues and be able to multi-task in order to grasp the variety of threats that today's markets present.

Kelly Hastings, CRO at joint-venture asset servicer CIBC Mellon, says the heightened stature of risk management post-2008 makes it easier to do the job than before -- though she does not minimize the seemingly infinite complexity of the challenges.

Hastings, who has worked in credit and market risk management, and recently in operational risk, over a 30-year span, also doesn't subscribe to the theory that the field has been male-dominated. "As women gain more experience, they have taken on different roles," Hastings explains. "What makes for a good risk manager these days is being able to respond to a range of different issues and to multi-task so as to be able to manage the many different kinds of risk that exist today and prioritize what is most important. … It isn't necessarily what you know, but what you don't know, that could be a significant issue."

In a May 2013 interview with style magazine *Marie Claire*, JPMorgan CFO Lake said, "Obviously it's true that as you go up the ranks, the number of women starts to decline. Whether that's because of 'self-de-selection' or other barriers --I think that depends on the firm, the industry, and the person. I've never felt that being a woman was a competitive advantage or disadvantage."