Asset Management

Facing disruption: The evolution of the risk function

October 2019

pwc

Contents

Executive summary

The Asset Management (AM) industry is going through a period of unprecedented change. Across the sector, competition, client demands and changing regulatory expectations are putting asset managers' margins under severe pressure, forcing firms to review their strategy and related business model. As the industry strives to adapt and searches for new opportunities, we believe few firms have fully considered how their risk function will need to adapt to best support the business in achieving its strategic objectives.

AM firms are responding to external pressures through a shift in their business model

In this challenging environment, firms are under cost pressure, as margins are squeezed by a combination of rising regulatory costs, growing demands for firms to evidence value and the related rise of low-fee passive funds.

In response to these external pressures, firms are taking a number of steps – including introducing innovative products and services, shifting towards alternative investments in search of greater returns, adopting fee models that reward outcome-based performance and optimising their operating models. For some firms these changes are not enough to remain competitive, so they are seeking opportunities to merge with or acquire other firms and set up strategic alliances.

According to PwC's 22nd Annual Asset and Wealth Management (AWM) CEO Survey:

- The growing popularity of passive funds could cut fees by almost **20%** on an asset-weighted basis across the mutual fund industry by 2025;
- **29%** of CEOs said they expect to merge with another firm in the coming 12 months; and
- **41%** of firms are seeking strategic alliances or joint ventures to remain competitive and relevant.

The risk profile of firms is changing – while personal accountability is rising up the regulatory agenda

Business model shifts are creating new risks, mainly related to new products that have different risk attributes, cultural risk that is inherent in mergers/geographical expansion, and risk of bias in developing applications using artificial intelligence and machine learning algorithms.

Non-financial risks are becoming more prominent, including those around change management, outsourcing, vendors and cyber security.

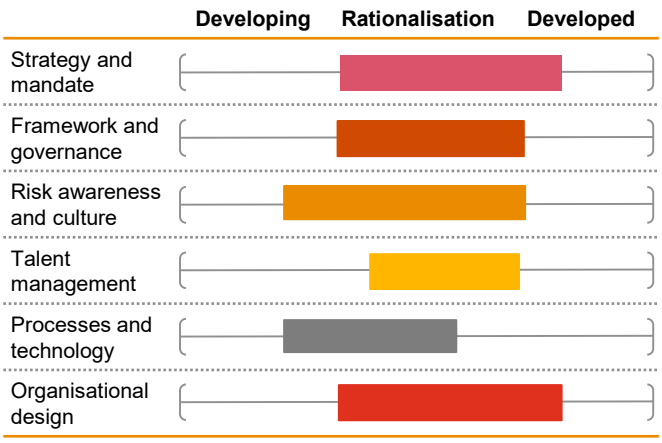
Regulatory scrutiny is focusing increasingly on AM firms, and this will continue, targeting accountability and ownership of risks – including emerging risks. A number of regulators worldwide have decided to introduce personal accountability regimes, with the UK taking more steps to codify this approach with the introduction of the Senior Manager and Certification Regime (SM&CR).

The risk function is evolving and has a number of challenges to address

The focus of the AM risk function has evolved over the years. It started with restoring confidence, requiring firms to add more people, processes, controls and systems. Implementation was carried out incrementally over the years as new requirements emerged. Our observation – based on our client discussions and data collected by surveying CROs across leading UK asset managers – is that risk functions are at different levels of maturity across the six dimensions of the operating model, with the majority of firms in the 'Rationalisation' phase (see below). Current key challenges include:

- Lack of maturity of first-line controls;
- Deficiencies in management information;
- Embedding and measuring appropriate culture in the firm;
- Technology infrastructure is comprised of multiple legacy systems and disparate data sets; and
- Skills gaps are evident in data, technology and change management.

Firms' current state of maturity across the six operating model dimensions



Key:

Developing – Current state has gaps, e.g. policies on culture exist but are not embedded

Rationalisation – Initiatives are underway to upgrade or redefine what has already been developed, e.g. rationalisation of the various tactical technology solutions developed over the years

Developed – A fully developed environment aligned to current aspiration, e.g. talent gaps in data and technology have now been addressed

According to PwC's survey of asset managers' risk functions:

- **73%** indicated risk and control frameworks are inconsistent across business units;
- Only **27%** indicated that culture is fully embedded across the business; and
- **55%** identified technology and data skills as key gaps in their risk resources.

Going forward, the risk function needs to be agile and do more with limited resources

The risk function will need to maintain the confidence it has already built up over the years, while simultaneously addressing its existing challenges and supporting the organisation in navigating emerging risks. However, firms are constrained by cost pressures and lack the internal capacity to support the changes required. So AM risk functions will need to prioritise their efforts, seek savings to fund the transformation journey and remain agile to address new requirements as they arise. Planning for the journey should not be undertaken in isolation, and opportunities to link in with other initiatives across the organisation should be identified and realised.

Before embarking on the transformation journey, AM firms need to consider four key questions

As they look to the future, AM firms need to ask:

1. What is our firm's strategy – and how does the risk function help us deliver on it?
2. Where is our risk function in terms of maturity in progressing towards where we aspire to be – and what gaps do we need to bridge?
3. What levers can be pulled and what actions should we take to bridge the gap between where our risk function is today and where we want it to be?
4. What are our priorities and what does the journey look like?

It is imperative that the answer to the first question – which lays the foundation for the transformation journey – is approved by the board, since it is the board that retains ultimate accountability for the effectiveness of the organisation's risk management arrangements. We begin to explore the remaining questions throughout this paper, by:

- Proposing six key operating model dimensions that AM firms can use to assess their risk function;
- Presenting our observations of the current state of the risk function and our point of view on its future. Asset managers should reflect on these observations, identify which, if any, resonates with them, and how far along the continuum from their current state they wish to progress enabling them to identify gaps to close; and
- Identifying several levers that firms should consider to effect change. A cost-benefit analysis will help firms to determine the optimal mix of levers to utilise.

Time to act

If your risk function has not started to plan for the future, time is of the essence. The overall outcome will be to transform the way the risk function operates, which will be critical to the future survival and success of AM firms.

The evolving landscape

Disruption across the industry is forcing firms to evolve

Due to the collision of several powerful forces, the UK financial services industry is now entering an era of unprecedented change – one that could affect industry revenues totalling £100 billion by 2030[1]. Firms across the sector are wrestling with five enablers of disruption, as trends in technology, regulation, funding, talent and switching combine and collide to reshape the industry. To navigate this challenging and fast-changing landscape, incumbent financial services players must position themselves as disruptors, not disrupted.

The AM industry is now at the front line of the pervasive transformation that's taking place. While other areas of financial services – such as banking – are further ahead in terms of encountering and responding to disruption, change in AM is now accelerating at an exponential rate. Although the industry is set for continued growth over the next ten years, asset managers will need to become business revolutionaries if they are to survive and prosper in the world as it will be a decade from now.

According to PwC's **22nd Annual Asset and Wealth Management (AWM) CEO Survey[2]:**

- The growing popularity of passive funds could cut fees by almost **20%** on an asset-weighted basis across the mutual fund industry by 2025;
- **29%** of CEOs say they expect to merge with another firm in the coming 12 months;
- **41%** of firms are seeking strategic alliances or joint ventures to remain competitive and relevant;
- **90%** of CEOs agree AI will significantly change the way they do business in the next five years; and
- **55%** of respondents concede that it's becoming more difficult to hire workers.

[1] Source: Harnessing the Power of Disruption, PwC, 2019: https://cloud.edistribution.pwc.com/financial-services-disruption-guide?Campaign=FSDisruptionTransformation&Channel=Website&Medium=CampaignLP&Format=Organic&Content=KeyCTA

[2] Source: Asset and wealth management trends 2019, part of PwC's 22nd Annual Global CEO Survey trends series: https://www.pwc.com/gx/en/ceo-survey/2019/Theme-assets/reports/ceo-survey-2019-asset-wealth-management.pdf

Four interconnected trends are shaping the industry

In PwC's view, four interconnected trends will drive the reinvention of the AM industry that's now underway. In combination, they will transform the AM industry's nature and structure. The largest firms will be characterised by greater scale, smart pricing, diverse workforces and strong technology capabilities; while smaller, highly-focused specialist firms will prosper if they offer excellent investment performance and service. So size will not be a prerequisite for success. These trends will also reshape firms' risk profiles and the wider risk environment, bringing significant implications for risk management functions in all AM firms worldwide.

Buyers' market

Digital technologies: Do or die

Outcomes matter

Funding the future

1) Buyers' market

The entire AM industry is facing pressure to reduce both fees and costs. Fees are being pushed down by both investors and regulators, as increased regulation, competition and new entrants disrupt traditional value chains. We're seeing the introduction of regulations worldwide aimed at preventing asset managers from paying commissions to incentivise distributors, reducing the cost of retail products.

Meanwhile, institutional investors now have the tools to hand to differentiate alpha – for which they'll pay more – from beta, for which they won't. As lower-cost products gain market share, and larger players capitalise on their economies of scale, there will be further industry consolidation and new forms of collaboration. It follows that asset managers will need to be 'fit for growth', or they can expect either to fail or to become acquisition targets.

2) Digital technologies: Do or die

Compared to the rest of the financial services sector, it is widely acknowledged that the AM industry is something of a laggard in embracing digital technology. However, this is a status that it is now looking to shake off, as AM firms intensify their focus on harnessing the power of new technologies across the value chain – including in new client acquisition, customisation of investment advice, research and portfolio management, middle- and back-office processes, distribution and client engagement.

3) Outcomes matter

A further shift is that investors want solutions for specific needs – not products that fit style boxes. This trend has seen active, passive and alternative strategies become building blocks for multi-asset, outcome-driven solutions, which will increasingly include Environmental, Social and Governance (ESG) outcomes.

As this change gathers pace, large firms are creating multi-asset strategies, while small and mid-sized firms are acting as suppliers of the building blocks. The multi-faceted nature of this evolving marketplace is creating opportunities for firms of all sizes and investment styles, so long as their focus is on delivering consistent, superior investment returns. To succeed, managers will need to have a deep understanding of their investors' needs, tailor solutions accordingly, and focus on optimising distribution channels. They must also look to capitalise on their core differentiating capabilities and move to outsource non-core functions.

4) Funding the future

Asset managers are innovating around the products and services they offer, as they continue to play a vital role in filling the financing gaps that have emerged since the global financial crisis. Asset managers were the first movers in providing capital in areas short of funding, due to banks' regulatory and capital limitations. Today they are becoming more involved in various new – and in some instances more available – asset classes, including peer-to-peer lending, trade finance and infrastructure financing.

Defining the future

To keep pace with industry change, risk functions will have to move to a new operating model

As the disruptive forces we've described drive exponential change across the AM industry, the speed and scale of the industry's transformation will create particular challenges for risk functions. They will need to strike a balance between retaining independence and partnering with the business – which isn't easy to do. Risk functions will need to adapt fast enough to keep pace with the overall change in the sector, while also adding value in line with their firm's risk appetite.

From current state to future aspiration – six operating model dimensions

As AM risk functions strive to adapt to ongoing disruption, they'll have to focus on effecting change in six key dimensions. While the relative importance of these dimensions will vary from firm to firm depending on their strategy, positioning and business model, most will apply to some extent with the majority of firms.

With each dimension, the challenge is three-fold:

- first, identifying the future state that the firm wants to move to;
- second, determining the gap with the current state; and
- third, working out how to navigate the transition between the two.

Figure 2 illustrates the current state of firms across each of the six dimensions – this analysis has been compiled based on our everyday conversations and the results of our CRO survey.

Our observation is that the majority of firms are in the 'rationalisation' phase across the six dimensions as they re-assess their operating model. This is driven by the need to clarify their mandate, find cost saving opportunities and improve efficiency.

As you read on, ask yourself: which among the six dimensions resonate most with your business? And, with each dimension, how far along the continuum from your current state to a potential future state do you aspire to progress?

Figure 1: Six operating model dimensions

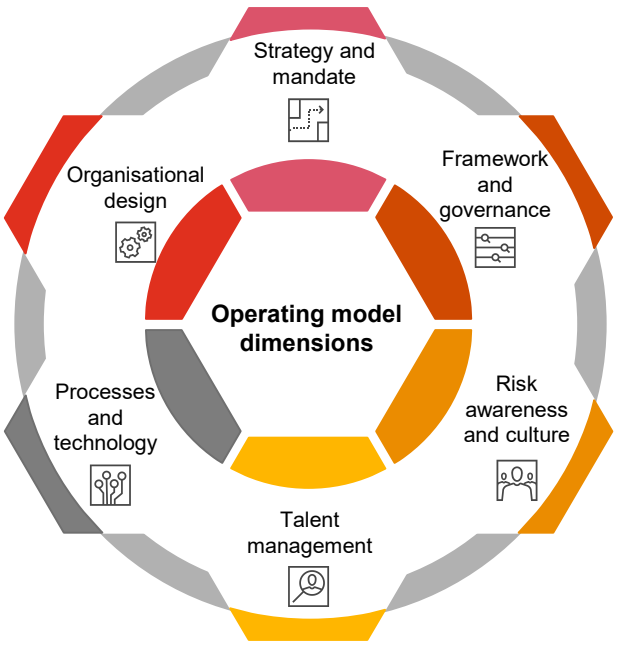
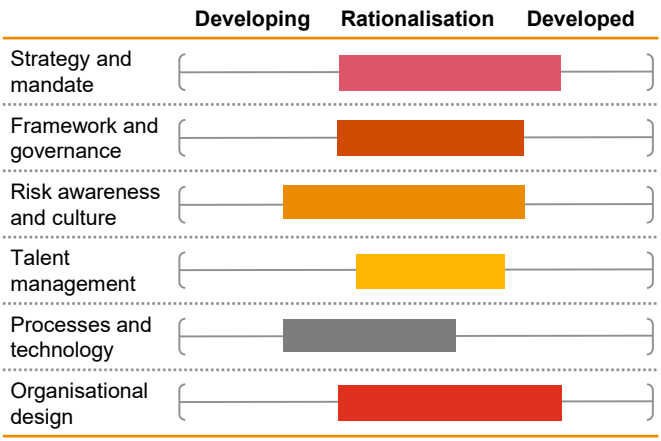


Figure 2: Firms' current state of maturity across the six operating model dimensions



Key:

Developing – Current state has gaps e.g. policies on culture exist but not embedded

Rationalisation – Initiatives underway to upgrade or redefine what has already been developed e.g. rationalisation of the various tactical technology solutions developed over the years

Developed – Fully developed environment aligned to current aspiration e.g. talent gaps in data and technology now addressed

Strategy and mandate

The risk function is now playing a role when strategy is being determined and executed. However, the mandate of the risk function lacks clarity. New risks are emerging and it is often unclear who is accountable for these risks, or what role that the risk function should play in assisting the firm in identifying, measuring and monitoring them.

From the current state…

- **Risk functions are routinely consulted on strategic initiatives – and CROs are on the board and senior committees.** The risk function has historically operated in a silo, with limited input and influence in defining the organisational strategy. The greater involvement of the risk function is partially due to the elevation of the CRO role. 64% of CROs are members of management/executive committees and there is a steady increase in the proportion of CROs (36%) now sitting on the board. Having seats on committees enables CROs to become familiar with the strategic evolution of the firm and gain a better insight into the decision-making process. This helps when setting risk appetite and measuring execution of strategy within agreed parameters.

64%

of our survey respondents indicated that risk has a seat at the table on governance forums

…to the future state

- **Risk functions will play a central role in advising boards on the alignment of their firm's strategy within its risk appetite, culture and operating model.** For the risk function to assess emerging risks effectively, it will need to expand its remit, broaden its understanding of the industry dynamics and be familiar with the strategic evolution of the firm. AM firms will also need to consider the evolving ecosystem in which it operates as well as the challenges from the geopolitical environment and new market entrants. Non-financial risks and macro risks will become a dominant feature. The challenges are amplified due to the global nature of AM, where portfolio management and distribution takes place across multiple geographies.
- **The role of the CRO is critical.** Not only will they need to have the capability to challenge senior executives, they must also possess the 'soft' skills needed to drive effective risk management across functional silos.

Framework and governance

While accepting that unexpected issues will always arise, firms need to ensure that they have taken reasonable steps to manage and mitigate risks. Enhancement of accountability and governance is needed, supported by better quality data and information in order to rapidly identify and respond to issues as they surface.

From the current state…

- **Unexpected issues will always arise, despite substantial changes in the governance of AM firms.** Since the financial crisis, regulators have introduced a number of new governance requirements; for example, MiFID II has introduced extensive requirements on product oversight, conflicts of interest, research payments etc. Firms have implemented new governance structures, created new policies and produced reams of information for their committees. However, unexpected risks continue to materialise.
- **A lack of maturity of first line controls and deficiencies in management information have contributed to the ineffectiveness of the governance oversight.** While the three lines of defence model is widely understood, 73% of respondents to our survey indicated that risk and control frameworks are inconsistent across the first line (business units). This makes it challenging for the risk function to monitor the first-line controls effectively, and can result in ambiguity related to responsibility for identifying, controlling and monitoring emerging risks.
- **Management Information (MI) only partially meets the needs of the first and second lines of defence.** Only 27% of respondents believed that data was comprehensive enough to support decision-making.

73%

indicated risk and control frameworks are inconsistent across business units

- **Regulators have shifted their focus to individual accountability to tackle conduct issues.** There is now a global momentum among regulators towards introducing individual accountability. The objective is clear; to help ensure accountability and ownership of risks – Including emerging risks as they arise. Originally focused on banks, regulators are now extending the scope to include asset managers. The introduction of the SM&CR in the UK is at the forefront of this change in Europe. Other regulators are also considering similar regimes; for example, Ireland's regulator has plans to introduce an Individual Accountability Regime.

27%

felt that data was comprehensive enough to provide all of the information required to make informed decisions

…to the future state

- **Firms will need to be agile and develop appropriate calibration of governance and controls in order to react appropriately to the ever-changing environment.** The AM risk function of the future will focus on 'horizon scanning' and adopt a more forward-looking approach to risk management. Moreover, the introduction of the SM&CR will help to ensure clear accountability and ownership of risks.
- **Embedding controls that enable real-time monitoring will allow all three lines of defence to focus more time on predictive risk analysis and addressing emerging risks.** Combining internal data from the various systems dispersed across the firm with external data will allow the risk function to have a more complete data set to assess risk. However, data alone is not the answer; the risk function will also need skills and tools to be able to analyse the data and produce meaningful management information that can be linked to organisational objectives. Leveraging visualisation tools, the risk function will be able to tell a story that can be understood across the firm and governance bodies.

Risk awareness and culture

The majority of firms have articulated their values and culture within policies and frameworks. However, measuring and monitoring this remains a challenge that must be tackled. Metrics need to be developed that link behaviours to outcomes that the firm wants to see. Trust and transparency are enablers, but it is important to be consistent in building them.

From the current state…

- **Firms have all defined their culture but have yet to embed it in their organisation.** A positive culture is perceived as one of the most effective means to manage risk. Efforts to define, shape or change the organisational culture are typically defined as 'top-down' exercises, and are mostly aligned to HR activity as opposed to risk management. This approach can hamper the ability to articulate and embed a strong culture across the business. While culture is articulated, only 27% of firms indicated it is fully embedded. Although performance objectives exist to measure alignment to culture, the maturity of these vary across asset managers. . It is often not clear to individuals what their firm's 'culture' means for them in practice.

27%

of our survey respondents indicated that risk culture is fully embedded across the business

…to the future state

- **Cultural alignment across the firm will be a necessary consideration in order to manage risk effectively and maximise efficiency.** Trust and transparency will be crucial for the overall culture of the organisation, and for this to become embedded and turned into reality through everyday behaviours across all levels. The risk function will support the introduction of metrics across business lines and geographies in order to monitor, assess and report to executive management and the board on the organisation's culture.
- **A diversity of views is crucial.** Asset managers are part of an ecosystem and remain accountable for activities they choose to outsource, the firms they select to work with and the people they hire. Culture will be a key criterion when selecting service providers, distribution partners and alliance partners, and during the recruitment process.

Talent Management

New skills are needed in the risk function, particularly in data and technology. Attracting the right talent into AM and into the risk function is critical but the competition is fierce. If the battle is to be won, technology must be applied to reduce time on routine tasks, enabling resources to be focused on analysis and using critical thinking to manage risks.

From the current state…

- **Regulatory requirements and geographical expansion have been key factors linked to the increase in headcount in risk function over the past few years.** Recently a decrease has been noted in risk function headcounts as firms begin their automation journey, reducing the need for data-scrubbing and manual processing.
- **Skills gaps are evident in data, technology, change management and operations.** 55% of respondents identified technology and data as key skill gaps. Firms are looking to hire previous first-line practitioners (such as operational staff, traders, technologists) to broaden the range of experience within the risk function as well as upskilling existing staff.

55%

of our survey respondents identified technology and data skills as key gaps in their risk resources

…to the future state

- **It will be necessary for all financial services firms to demonstrate their purpose and values in order to retain and attract talent** – and this imperative includes asset managers.
- **Risk management will perform more of an advisory role to the business.** As technological advances result in reductions in manual monitoring, this will free up capacity for the risk function to support the organisation in navigating a path through its future risk landscape.
- **Data science and technology skills will become a core capability for the risk function.** The risk function will be competing against FinTechs and new entrants as well as non-financial technology firms. The risk function will make use of external support on specialist topics where skill gaps remain, in areas such as artificial intelligence, cloud and cyber

Process and technology

Firms are spending too much time and resource on performing manual processes where the implementation of a technology-based solution would be faster and more effective. However, implementing technology on poor or redundant processes is a wasted effort. Therefore, firms need to take a strategic view of their operating model and processes first to ensure that the benefits of technology are maximised.

From the current state…

- **Firms have invested in point technology solutions rather than taking a consistent and holistic approach.** The key barriers to technology implementation are cost, capacity to support implementation and the limitations of technology solutions. 55% of respondents indicated that the current technology was partially fit for future requirements.
- **The necessity of handling disparate data sets and multiple legacy systems has resulted in over-reliance on labour-intensive manual intervention.** 82% of respondents indicated that less than half of their processes were automated and 64% indicated that they required mostly manual intervention when developing risk reports/management information.
- Firms have yet to take advantage of the emerging technologies but have plans to make some level of investment in the near future.

25-50%

of risk management processes are currently automated to a degree that manual intervention is not required.

…to the future state

- **Technology rationalisation will bring efficiency and effectiveness to the risk management process.** The risk function will look to integrate risk technology requirements and embed controls into the overall firms technology operating model through its early engagement on front office projects. This will benefit all three lines of defence monitoring activities.
- **Management Information will be available in real time and can be tailored to individual needs by the user.** The three lines of defence will monitor existing and emerging risks using a single source of internal data that is enriched with external data. The data will be overlaid with automated workflow, analytical and visualisation tools to allow users to build out scenarios without the need for costly system development.
- **Second line monitoring capability will be adopted by the first line.** As the second line develops predictive analytical tools, these will be leveraged by first line to assist them in their monitoring and decision making processes.

Organisational Design

The risk function will become leaner as technology is embedded. The regulatory focus on operational resilience has highlighted the need to manage processes end-to-end, ensure risk appetite is embedded appropriately and to react quickly and effectively to problems. The risk function will need to have the structure to support the firm across multiple business lines and geographies.

From the current state…

- **Firms are in the process of reviewing their risk function mandate and operating model.** The risk function mandate varies considerably across firms, and for many the remit is expanding. Where the mandate is already understood, this is not always reflected in the current set-up. As part of cost efficiency and rationalisation programmes, AM risk functions are transferring activities to the first line, offshoring to lower-cost locations and grappling with how to find the right balance between centralised and local activities.

…to the future state

- **In the future, the risk function will become leaner as it embraces technology.** As organisations become more technology-enabled, the need to offshore/outsource low-value manual processes will decrease. However, the skills shortages in technology and data analytics will drive firms to search to fill such skill gaps externally and in offshore locations. Firms will continue to develop centres of excellence to serve the global nature of AM firms more effectively.

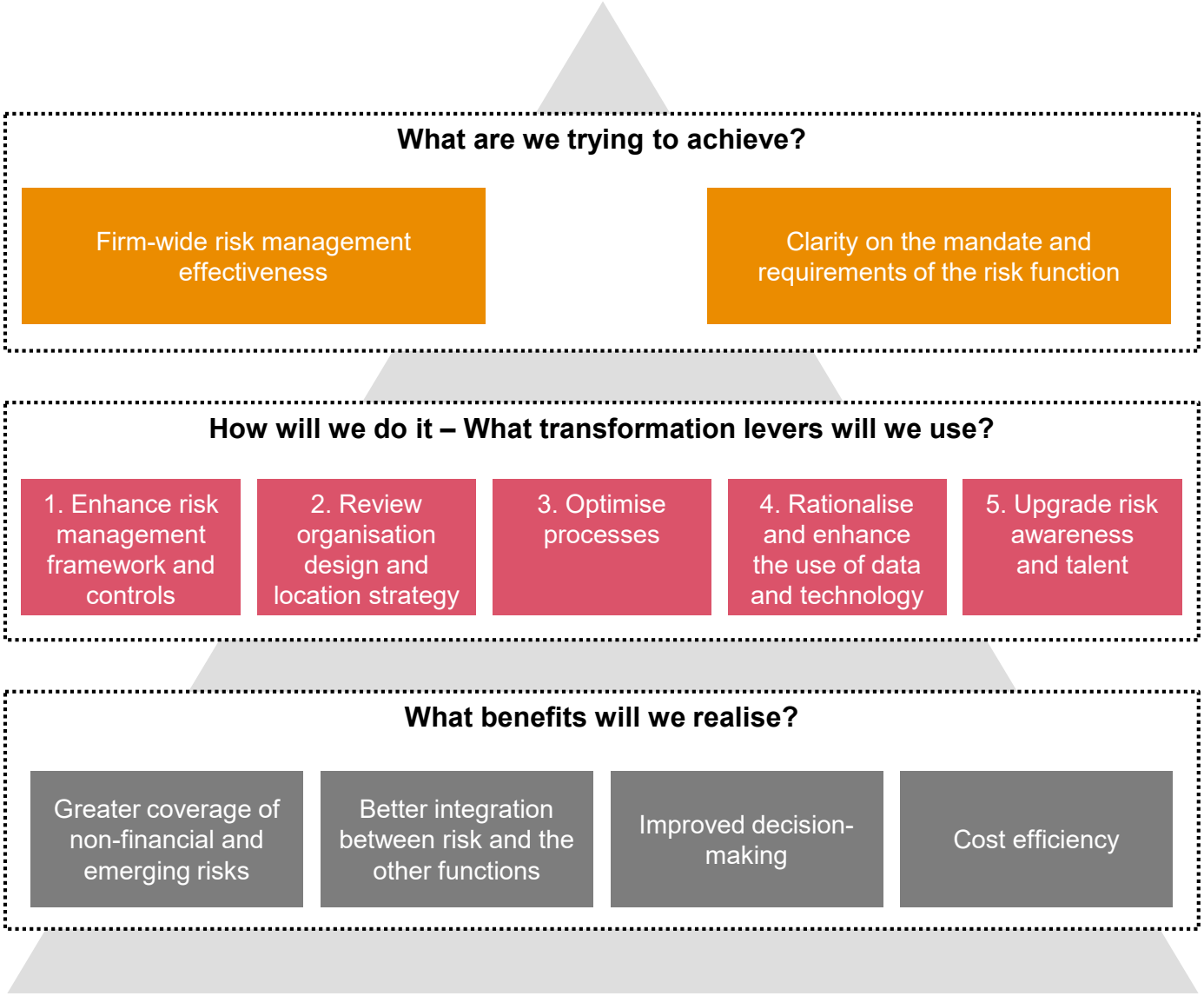
Driving change

We see risk functions having a number of transformation levers at their disposal

Risk functions across the industry are progressing towards an end-to-end risk oversight mandate, with the CRO ultimately accountable to the board for reporting on whether the organisation is operating under its defined appetite for all risks. The recent focus on operational resilience, including outsourcing, is highlighting the need to have a front-to-back view of the key services and processes. Most organisations are struggling to achieve this holistic view of risk, as risks outside the organisational perimeter are not well understood or monitored.

To help drive the transformation and realise the full benefits, risk functions have five key levers at their disposal. The relative emphasis they place on these levers will vary depending on their strategy, operating model, internal capabilities and aspiration for their future state, although in many cases all five will have some degree of relevance.

Figure 3: How will we do it? The five key levers of transformation



The five transformation levers that risk functions have at their disposal are:

1. Enhance risk management framework and controls

Rather than thinking about controls once processes have been set up, these should be built into the design from the start. This means working with the first line to define and integrate risk taxonomies across processes, products and controls to gain a consistent and holistic view of risks.

Embed controls

2. Review organisation design and location strategy

Initiatives like offshoring, building centres of excellence and utilising external managed services can bring firms long-term structural cost advantages and scale benefits. Skill shortages in technology and data analytics will become a new driver for location strategy.

Organisation design

Location strategy

3. Optimise processes

Risk functions need to review their end-to-end processes to identify opportunities for automation. As part of this review, they should consider deploying robotics to undertake activities of a repetitive, mechanical nature, and using business process management and workflow solutions to enhance process efficiency.

Robotics

Workflow

4. Rationalise and enhance the use of data and technology

While most asset management firms recognise the need for changes to existing infrastructure, the risk function is often not sufficiently well integrated to benefit from group– or firm-wide investments. Ongoing investments in technology and infrastructure will help to optimise firms' risk and compliance control frameworks, while enhancing the quality of data will be key to using predictive analytics to pinpoint potentially material issues and drive actionable insights.

Rationalise/ upgrade technology

Migrate to cloud

Data analytics and visualisation tools

5. Upgrade risk awareness and talent

The raft of changes now underway are driving a need to reshape the risk function to include broader data, technology, business and communication skills in addition to traditional risk skills. At the same time, the emphasis on the importance of risk culture is continuing to increase across the industry, reflecting the fact that effective management of current top-of-mind risks – such as cyber threats – depends heavily on the extent to which a strong risk culture has been embedded. We expect the embedding of a risk-aware culture to remain a key focus for several years to come, with gamification tools being used increasingly to create more engaging training content and embed the 'right' behaviours.

Broader, diversified skill set

Engaging training to help embed behaviours

Used selectively – and in a combination that reflects the business's strategy, aspirations and capabilities – these levers will generate the types of benefit shown in Figure 3. Each lever tends to contribute to more than one benefit, so there isn't a direct one-to-one mapping between levers and benefits delivered. But a cost-benefit analysis of the potential effects of the levers, both individually and in combination, will enable the development of a robust business plan to achieve the benefits being targeted. The overall outcome will be to transform the way the risk function operates, and elevate its coverage, role, reach and status in the organisation.

Conclusion

Sweeping changes have been underway across the financial services industry for several years – and these forces are now increasingly evident in the AM sector. Our research and everyday client conversations confirm that asset managers accept that they need to respond, and that many are developing new strategies to do so. If your AM firm hasn't started to plan out its roadmap for risk management in a disrupted and increasingly digital world, then it's high time it did. Put simply, there's no time to lose. We envisage that executing the required changes will involve four key steps:

Establish an understanding of the wider organisational strategy

The risk function's objectives must align with the wider business strategy to begin the move towards the future state it aspires to achieve. These objectives could involve: conducting the same activities but at lower cost, expanding into new activities, digitising processes or enhancing analytical insight.

Break it down: what does the future look like, and what are the gaps to close?

The next step is to compare the risk function's aspiration for its future state – reshaped to support the organisation's evolving strategic objectives – with its current state. This will enable the risk function to gauge its current level of maturity, and identify and prioritise the gaps that need to be addressed.

Develop a business case for change; think agile, not large multi-year implementations

The risk function will need to identify the most appropriate lever(s) to address the prioritised gaps between its current state and future aspiration. Undertaking a cost/benefit analysis of each lever will help to establish a business case to deliver the aspiration. Key considerations will include strategic priorities, existing capabilities (such as captive offshore facilities), ongoing initiatives, and timeline to value – for example, balancing longer-term transformation with quick wins through process automation.

Create and execute the roadmap, linking in with other initiatives across the organisation

The risk function can then bring together the business case, priority actions, choice of levers and timelines to build a robust and actionable roadmap that will deliver the change and realise the targeted benefits. To succeed, the implementation effort will require robust board-level commitment and enthusiastic buy-in at all levels.

We hope that this paper has given you some food for thought as you rethink the future of risk in your business – an issue that will be absolutely critical to your firm's future success, and even survival. To find out more, please contact us, and let us help you map out the journey to your new risk function.

Notes

Notes

Notes

For more information please contact:

Fiona Lehane

Asset & Wealth Management Consulting Partner
E:fiona.m.lehane@pwc.com

Crispian Lord

Asset & Wealth Management Consulting UK Lead Partner
E: crispian.lord@pwc.com

Umar Zaman

Asset & Wealth Management Consulting Director
E: umar.zaman@pwc.com

Symon Dawson

FS Risk Transformation Lead Partner
E: symon.k.dawson@pwc.com

We are grateful to Tushar Haria, Tricia O'Donovan and Amanjot Sandhu for their contributions to this publication.