



## Risk Management and ISO 31000 in the United States of America

Interview conducted for isotc262 with

### Carol Fox, chair of the U.S. Technical Advisory Group (mirror committee) for ANSI to TC 262

Carol Fox is Vice President, Strategic Initiatives at RIMS, the Risk Management Society™, a global not-for-profit professional association. A Miami University graduate, she has held progressively responsible risk management positions in the customer care, telecommunications, manufacturing, defense, and insurance industries. Carol is the chair of the U.S. ISO 31000 risk management standards Technical Advisory Group, is a participant on the COSO ERM Advisory Council, and serves on the Advisory Board for Miami University's Isaac & Oxley Center for Business Leadership in the Farmer Business School. Known for her risk management experience and writings, she received RIMS' prestigious 2009 Harry & Dorothy Goodell Award. In 2011, Treasury & Risk named her as one of the 100 Most Influential People in Finance.

**isotc262.org:** *Carol, you are a member of the U.S. mirror committee to ISO/TC 262. Can you briefly introduce ANSI, the American National Standards Institute, your national standardization organization, please?*

**Carol Fox:** As the voice of the U.S. standards and conformity assessment system, the American National Standards Institute (ANSI) empowers its members and constituents to strengthen the U.S. marketplace position in the global economy while helping to assure the safety and health of consumers and the protection of the environment. ANSI's mission is "To enhance both the global competitiveness of U.S. business and the U.S. quality of life by promoting and facilitating voluntary consensus standards and conformity assessment systems, and safeguarding their integrity."

Founded in 1918, the Institute oversees the creation, promulgation and use of thousands of norms and guidelines that directly impact businesses in nearly every sector. ANSI is also actively engaged in accreditation - assessing the competence of organizations determining conformance to standards.

Comprised of government agencies, organizations, companies, academic and international bodies, and individuals, ANSI represents the interests of more than 125,000 companies and 3.5 million professionals. ANSI is the official U.S. representative to the International Organization for Standardization (ISO), and currently holds a position on ISO's Technical Management Board.

isotc262.org: *What is the impact of risk management and in particular ISO 31000 in the United States?*

**Carol Fox:** Many U.S. based organizations, including those with a global reach, gain value from strong risk management practices in their strategic initiatives, projects and decision-making processes, as well as for managing operational and financial risks. More than just a line of defense, risk management is seen as a strategic and value creating discipline in forward-thinking U.S. organizations. The impact of risk management was evidenced in a tangible way by an independent peer-reviewed academic study conducted by Mr. Mark Farrell and Dr. Ronan Gallagher, published by *The Journal of Risk and Insurance* in March 2014. Their findings revealed a very strong correlation between mature risk management practices and increased firm value of approximately 25%.<sup>1</sup> Indicative of the high interest by U.S. organizations in hiring risk management professionals, the position of risk management director was named by CNN Money as the 2<sup>nd</sup> best job in America for 2017, with a 10-year job growth rate of 7%.

ISO 31000 is one of the two most commonly used guidance documents in the U.S. throughout all sectors, due primarily to its simplicity. In July 2016, the U.S. Office of Management and Budget issued OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* for federal executive agencies in which ISO is listed as one of three sources for guidance on risk management.

isotc262.org: *Who are the key stakeholders of risk management in the United States?*

**Carol Fox:** The key stakeholder group in the U.S. is quite large. Risk management is viewed as fundamental in the overall management of organizations by everyone who has an interest in successful outcomes. Obviously, this includes employees who take decisions every day in the course of their work, as well as board members, trustees, elected officials and management. Others who have a keen interest in successful risk management include regulators, such as the U.S. Securities and Exchange Commission which holds a mandate to protect investors in publically traded companies, and the government agencies that oversee financial, banking and insurance institutions. As many U.S. organizations rely on a worldwide value chain, each of the suppliers, distributors and service providers are key stakeholders of risk management in a global economic

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<sup>1</sup> M. Farrell and R. Gallagher, "The Value Implications of Enterprise Risk Management Maturity" published by *The Journal of Risk and Insurance*, March 2014. [[web access](#)]

ecosystem. We are seeing more academic institutions offerings risk management course work and degrees at the undergraduate, graduate and executive education levels.

isotc262.org: *What are the biggest obstacles for integrating risk management in all organizational activities for managers in the U.S.?*

**Carol Fox:** There are many challenges for integrating risk management in all activities: an organization's willingness to learn; working through existing structures, culture and biases; and communicating that the purpose of risk management is to improve an organization's performance, and not to achieve "risk management perfection".

Based on my observations, risk management at times is viewed as a periodic activity for reporting potential threats, rather than as part of decision-making for taking informed action. Organizations that gain the greatest integration of risk management are those that approach risk management as a horizontal competency for creating and protecting value, rather than as a vertical function, or merely as the application of a separate process to assess risk. Over the past five years, we have seen a significant shift for building risk management competencies as a competitive advantage.

isotc262.org: *ISO 31000 quickly became one of the bestselling and most well recognized standards in ISO. What do you think about the future of the standard and how will it change to adapt to new challenges?*

**Carol Fox:** The ISO 31000 standard will remain relevant only if it

- 1) continues to meet the needs of current and potentially new users,
- 2) provides guidance that is free of jargon and
- 3) is meaningful for the organizations that choose to use it.

That is what was intended in the design specification for the current technical revision, and in my view, what the latest revision - for the most part - has accomplished. In an uncertain, dynamic and turbulent world, one of the ISO 31000 principles says it best: "Risk management facilitates continual improvement." In order to do that, the standard itself must be adjusted to take into account the natural evolution of risk management practices, and reflect continuous learning from the broader risk management community.

isotc262.org: *What message do you want to give to the risk management community?*

**Carol Fox:** My message is to strive for innovation and be open to new ideas. Risk management should not be seen as a static, perfunctory exercise. For risk management to make a difference in organizations, it should be embraced as a dynamic core competency by everyone and anyone who takes decisions and actions that affect the objectives an organization chooses. From my perspective, risk management is an enabler for achieving global competitiveness and enhancing the quality of life for society.

isotc262.org: *What advice can you give to interested parties in the United States of America who want to offer their input to the work of ISO/TC 262 and who should they address?*

**Carol Fox**: We welcome anyone who is willing to contribute to advancing risk management principles and practices to join the U.S. Technical Advisory Group. Those who are interested may contact the secretariat for U.S. Technical Advisory Group for TC262 by emailing Lauren Bauerschmidt at [LBauerschmidt@asse.org](mailto:LBauerschmidt@asse.org) for an application.

isotc262.org: **Thank you very much!**

**Carol Fox**: You are quite welcome. Personally, I am honored to chair the U.S. Technical Advisory Group; to serve on the ISO/TC 262 and its working groups; and to collaborate with colleagues around the world on this challenging and important work.