

RISK MANAGEMENT EDUCATION - AN AUSTRALIAN PERSPECTIVE

In addressing this topic I propose to outline the history of Risk Management Education in Australia as well as detail the current situation.

The discipline of Risk Management was formally recognised in Australia in 1975 when two separate groups of Insurance Buyers got together in Sydney to discuss the viability and desirability of forming an Insurance Buyers Association, with brokers Willis, Faber, Johnson and Higgins acting as a catalyst for the first group.

As a result of these and subsequent gatherings a formal meeting was called in September 1975 and resulted in the formation of the Risk and Insurance Management Association of Australia. This Sydney based organisation quickly established itself and ultimately became the national risk management body known today as the Association of Risk and Insurance Managers of Australasia.

From its very inception the Australian risk management movement has concerned itself with the professional development of its members. Initially all that could be provided was an informal forum for the exchange of views, ideas and experiences between fellow practitioners generally by way of luncheon meetings. This was quickly followed by the development of an Annual Conference that brought the latest ideas and developments from both Australia and overseas to the membership (as well as providing a significant networking opportunity for all participants in the risk management area - buyers, brokers, underwriters, consultants and service providers).

However, by 1979 the membership of the Association decided that the question of formal Risk Management Education needed to be addressed. To this end the National Executive set up a Committee to investigate the form and direction that risk management education in Australia should take and for it to report back to the 1980 Annual General Meeting.

The Committee quickly discovered that not a great deal of formal risk management education was available.

The committee came up with several recommendations:

- (i) Short Term (ie up to 5 years)
Utilise the Insurance Institute of Americas Associate in Risk Management (ARM) as it was acknowledged to be the only recognised and viable programme available;
- (ii) Long Term
Continue to utilise the ARM course and seek to develop through the tertiary education system, a formal education programme, but in locations where there were sufficient students;

(iii) Seminars

In addition to formal education programmes and the ARM, educational seminars on specific topics should be developed in order to keep practitioners up to date with latest legislation and practices.

A significant feature of the Committee's deliberations was the fact that it could not reach agreement on the method of structuring an education course through the tertiary system. The major problem Committee Members saw was in determining whether major emphasis should be on management, risk financing and related subjects or on technical subjects such as current concepts of fire protection, security, safety etc, etc. It was acknowledged that there was a need for both aspects to be addressed but agreement could not be reached as to what levels of emphasis should be applied.

By 1983 ARIMA could claim a limited degree of success in so far as a number of members had successfully completed the ARM. In fact sufficient interest was generated in Sydney to support the creation of "one off" ARM study groups on a number of occasions in the early 1980's.

On the formal tertiary education front two courses addressing risk management had been established. The Prahran Campus of the Victorian College in Melbourne commenced a 2 year part time Graduate Diploma in Corporate Risk Management, while the Ballarat College of Advanced Education conducted a 2 year part time Graduate Diploma in Occupational Hazard Management.

In addition the NSW Chapter of ARIMA started to conduct regular seminars covering a wide range of risk management subjects. These seminars were specifically designed to enhance the expertise of members whose work commitments prevented them undertaking a formal education programme such as the one week intensive course conducted at the New South Wales Institute of Technology in Sydney.

Sadly, this most promising state of affairs did not develop, let alone flourish, largely due to the widely scattered locations of risk management practitioners combined with their relatively small numbers. A problem that continues to confront risk management education in such a large country as Australia.

By 1987, ARIMA was once more tackling the problem of developing and providing an education programme that would be recognised globally and be consistent in content and standard. As a result of an approach to the Management and Policy Studies Centre of the University of Canberra a five day intensive study course in Risk Management was conducted in August 1987. It would be fair to say that this course met a definite need as to date a total of over 750 people have attended some 35 similar courses in Sydney, Melbourne, Brisbane, Perth and Adelaide.

In the course of developing the five day course, the ARIMA National Executive was concerned that the broader risk management community was not involved in the development of risk management education nor had a direct input into professional development programmes. To overcome this concern, in 1987 ARIMA arranged for the incorporation of the Australian Institute of Risk Management as an educational body dedicated to the professional development of all members of the risk management discipline - ie the buyers, brokers, insurers, re-insurers, consultants, service providers, students and academics.

One of the Institute's first tasks was to establish an Education Committee to specifically address the development of risk management programmes of academic and professional substance.

The Institute's education committee quickly identified the urgent need to develop more specialised and advanced programmes that built on the knowledge and skills acquired by attendees at the Five Day Introduction to Risk Management Course. These courses also met the immediate needs of those who were in risk management and who wanted further professional development, but did not have the time to pursue a formal education programme.

These specialist short term certificate courses have developed over the years to address topics such as:-

- * Managing Liability Risk
- * Implementing Risk Management Programmes
- * Identify and Analysing Risk
- * Financing Risk and Loss
- * Loss Control Techniques
- * Claims Management
- * Motor Fleet Management
- * Fraud Prevention and Control
- * Accident Investigation
- * Manual Handling
- * Quality Systems Approach to OH & S Management
- * Managing Environmental Risks
- * Managing D&O Liability Risks

An overriding feature of all these courses has been the need to ensure that the standard and quality of each course had to measure up against a formal definition of risk management - namely - Identification, Analysis and Management of Risk through the techniques of control, transfer and financing. One of the greatest difficulties faced in developing the courses has been the continuing battle to overcome the widely held belief that the purchasing of insurance is in fact risk management. While this attitude is understandable given that risk management developed from the insurance environment it is, even today, still held as an article of faith by so many who call themselves Risk Managers.

My final points seek to outline the current situation.

The provision of effective risk management education programmes in Australia, as in most parts of the world, face three significant problems:

Firstly. There is a real lack of recognition by tertiary institutions that risk management should be an integral part of management education at all levels from Degree to Doctorate.

It is critical that we obtain this recognition, as credence will then be given to the reality that risk management is a profession involving a multiplicity of skills, of which the ability to finance risk by way of buying insurance is but only one skill. In short, for risk management to be regarded as an important integral part of the management profession, the normal criteria of advanced education must apply and be available.

The work done by Professor Gordon Dickson, Shaun Wilkinson, Pierre Sonigo and others in developing the model syllabus for risk management education that has been adopted by the International Federation of Risk and Insurance Management Associations provides an excellent vehicle for promoting risk management education to tertiary institutions. As has been so ably demonstrated by AEAI in Europe.

Secondly. The inappropriate use of the title risk manager by individuals who are only practising one limited facet of risk management such as risk financing or loss control while totally ignoring the broader implications of the discipline. Is it little wonder then, that management generally still perceives risk management as synonymous with insurance.

Thirdly. The attitude of "it will never happen to us", combined with an obsessive fixation on short term profit at the expense of long term survival. We have seen in many parts of the Globe in recent years that risk managers and training are amongst the first casualties when organisations have to tighten their belts. I would suggest that cutting out risk managers and risk management training significantly increases the organisation risk exposures at a time when they are financially weakest and therefore most vulnerable.

The 1990's have seen risk management education in Australia finally show signs of taking root. With the IFRIMA developed model syllabus as their guide, Risk Management Educators in Australia have developed a number of significant courses.

In 1992 Macquarie University Graduate School of Management introduced a Graduate Diploma in Risk Management which addressed Risk Management, Risk Control, Risk Financing, OH&S, Managing People and Marketing Management. On completion of the course of study the student had the option of graduating with a Graduate Diploma in Risk Management or enter the MBA programme with advanced standing as a result of successfully completing the 6 Risk Management Units. Sadly this course was not as successful as was hoped due to a number of reasons. A major one being cost. Unfortunately the application of "user pays" rules puts many excellent courses out of reach especially when combined with travel and accommodation expenses.

But by far the most exciting development, and the slowest in coming to fruition, has been the Graduate Certificate in Risk Management Programme that is finally being offered by the School of Banking and Finance in Monash University's Faculty of Business.

This programme which is fully based on the IFRIMA model has been developed with the active moral and financial support of both the AIRM and ARIMA through their joint Education Committee.

It involves

- * the granting of credits for attendance at the specialised short courses that have grown out of the original Five Day Introduction to Risk Management Course;
- * attendance at a live-in weekend school and completion of self-directed learning which includes readings, assignments and major assessment; and
- * completion of a major industry-related project.

The really exciting features of this programme are:-

1. It provides academic recognition that the short courses are a constituent part of a formal tertiary course. This is important to both students and employers with respect to taxation implications of training costs.
2. It formally recognises the fact that risk management is a multi-disciplinary management system which is complex in terms of education delivery parameters. For example an OH & S specialist needs to do a short course such as Financing Risk and Loss if they are to satisfactorily cope with the risk financing unit of the programme. Similarly an accountant must do courses in Loss Control etc. The completion of appropriate specialist short courses are in fact pre-requisites in order that candidates be able to successfully complete the four units of Economic Principals and Risk Analysis; Risk Financing and Treasury Management; Risk Control and the Law; and the Business Finance Project.
3. It enables costs to be spread over two to three to both

4. It provides risk management practitioners at all levels of experience with the opportunity to complete an internationally recognised tertiary qualification at a major university regardless of their location in Australasia or the Asia Pacific Area. The short courses and live-in weekend school can be programmed into annual holidays by the private student. While the sponsored student has only two and three day interruptions to the work place spaced out over 2 years or so.

The flexibility of the Graduate Certificate programme is its greatest feature and should ensure its success.

With the Graduate Certificate, the wide variety of specialist short courses and a number of introductory courses being presented by industry and educational groups the future of risk management education in Australasia looks very promising. An interesting feature has been the growth of special courses designed and conducted for individual corporations or Government Departments. These courses are not only spreading the understanding of risk management but also provides a pool of candidates interested in developing formal risk management qualifications in order to more effectively manage the risks faced by their organisations.

It has been a long trek but hopefully we have reached a base from which risk management education in Australia can consolidate and eventually grow into maturity as a recognised discipline that is integral to any and all Business Management Courses conducted in Australian universities.