

# Managing risk IN A CHANGING WORLD

RISKSA caught up with Gordon Howes, who was named Risk Manager of the Year at the 2012 IRMSA Awards late last year. He shared his fascination for risk with us and told us about the development of a risk officer curriculum, which is sure to benefit the insurance industry.

**Gordon, tell us about what you do at Turner & Townsend and why you think you won Risk Manager of the Year.**

I am the project risk lead for Africa at Turner & Townsend and head up the project risk management division in the company. My approach to risk analysis is very mathematical. I calculate risk contingencies needed in big projects, contingencies that are to be managed to ensure projects are profitable. I have been key to establishing qualitative and quantitative risk analysis and management techniques for projects commissioned by Turner & Townsend in the oil and gas, infrastructure and mining sectors.

I am a specialist in Monte Carlo Simulation and advanced Excel modelling, and combining this with some visual basic programming, can develop some powerful models to calculate risk contingency as accurate as one can when dealing with project risk. There is a huge focus on infrastructure projects in South Africa and Africa, and managing these projects from a risk perspective is of great importance to ensure investor equity delivers positive ROEs, and projects yield positive ROIs. I currently head up the Transnet Multi-fuel Pipeline project, as well as the proposed dig out of the old airport in Durban to construct a harbour. I have also transferred risk knowledge into Transnet Capital Projects, through training resources and assisting in establishing a risk division and overall risk culture within the business unit. I have delivered risk analysis and management in the mining sector, i.e. Kumba, Anglo and Xstrata, as well as risk contingency calculations in the energy sector, i.e. Eskom, BP and Sasol.

**Why did I win the Risk Manager of the Year?**  
I think a combination of innovation in risk analysis, setting up of positive risk cultures wherever I work, and general success in the project risk management field by applying sound risk standards and making sure these are followed by my staff and project staff.

**Did you always know that a career in risk was for you?**

No. It all started when I completed my MBA thesis in business simulation at the University of Pretoria in 2003, after studying simulation modeling in my BSc. I had a natural feel for simulation and, after starting at Turner & Townsend in 2007 as a management consultant, I had the freedom to express my simulation knowledge in business, and from there the ad hoc work in risk simulation started and flourished. I did my first risk modelling on the Transnet Pipeline in 2008, did some small risk contingency calculations for other clients including Mmamabula Power Station and Debswana, as well as initial work for Medupi Power Station. I continuously improved my models and risk management plans as more clients enquired after risk management services from Turner & Townsend. In 2010, the company made a strategic decision to provide clients with this service and since then I've headed up this division.

**What is the one thing about risk that most captures your imagination?**

Risk is always in the future; there is no past risk that can affect you. Millions of Dollars have been spent on developing methodologies and software to predict the future, simply because no human can actually do it. Therein lies my fascination: to most accurately predict the future behaviour of risks and the effect they can have on my projects. For this I use @RISK software, utilising Monte Carlo Simulation, some Excel modelling and an understanding of statistics. Managing risk contingency and schedule slippage throughout the project execution is most satisfying, meaning that the risk management and associated philosophy is being handled properly by the risk manager.

**How has the nature of risk and risk management changed over the past decade?**

Risk management has evolved considerably in the last decade mainly because of the development of software that can be used in prediction analysis and corporate risk management. Along with this, all philosophies and methodologies in risk management have

also evolved and we now have complete risk standards, such as ISO31000/10, PMBOK, COSO, and King III. Catastrophic events in the world, such as the financial crash in the US in 2008; the BP oil leak in 2009; and the tsunami in 2004, have placed major emphasis on risk management, and why not? Once we mitigate risks as extensively as possible, the likelihood and impact of these risks are reduced.

**How do you think insurance companies should be positioning themselves in this changing risk landscape?**

I can only talk from a project risk perspective with regard to project insurance and the connecting wheel of investment capital and the project risk manager. The insurance premium of a project should be directly proportional to the quality of the project's risk management system and the risk to be dealt with in project execution. Additionally, investment capital/equity for capital projects will ultimately be managed by the project manager and their project execution capability. In both the above cases, the risk manager is the responsible resource to ensure project risks are managed and together with the project manager ensure that projects are completed within budget and schedule, delivering to the scoped quality.

**A message for our readers?**

As part of a task team initiated by IRMSA and the SETAS, we are in the process of developing a postgraduate-level risk officer curriculum. The aim is to develop quality risk managers across the board, as we always find people fall into this position over a period of service within a company. All business sectors dealing in risk will find this pleasing, as the profession of risk management will be an accredited qualification, which will enhance the overall quality of risk management across industries. The crux of risk management is the assessment of risks, followed by mitigation strategies, as well as a deep-rooted culture of risk awareness. These facets will be dealt with in such a qualification.

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