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Insurance risk management: An occupation at risk

Englehart, Joanne Peterson, Ph.D.

Northwestern University, 1993

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NORTHWESTERN UNIVERSITY

Insurance Risk Management:
An Occupation at Risk

A DISSERTATION

SUBMITTED TO THE GRADUATE SCHOOL
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

for the degree

DOCTOR OF PHILOSOPHY

Field of Sociology

By

Joanne Peterson Englehart, J. P., Ph.D.

EVANSTON, ILLINOIS

June 1993

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ABSTRACT

Insurance Risk Management: An Occupation at Risk

Joanne Peterson Englehart

This paper explores the occupation of risk management, from its lowly organizational beginnings to its recent popularity. Its "nearness" to professional status is keenly felt by its members, and they engage in what I call "status work" in attempts to elevate their positions. My study is based on both interviews with insurance and risk management insiders and my own experiences in the industry. Over a period of a year and a half, I interviewed 49 people in risk management in the Chicago area.

A study of an occupation in the insurance field brings new light on the professions. Risk management is an example of a consulting occupation, selling its expert knowledge for lay people's use. Risk management is most commonly found in large corporations, which affects the structure of the work done in this occupation. Since risk managers are not housed in an insurance company or agency, they have the opportunity to distance themselves from the source of their expert knowledge, the insurance industry. However, since they must keep abreast of insurance news in order to call themselves expert, distance from this "dirty work" cannot be maintained. The discussion of the risk management "profession," concerns an occupation in transition. Jurisdiction, autonomy, license and mandate are all under negotiation at the present time. Evidence of the transitional nature

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of the occupation are the narrowing ports of entry, the internal labor markets, and the treatment of women in the discipline.

A growing occupation, risk management struggles to define itself. All occupations explain themselves to other groups. Risk management is still in the process of educating its public, corporate management, about its role and function. Risk management has changed its title in order to better fit in with management and broaden its occupational opportunities. Risk management also has to convince management to accept its definition of who is qualified to judge risk managers -- themselves. The definition of risk management is critical to the occupation's (and its members') power and authority. Status defines one's place in the corporate hierarchy. Older professions have established positions in organizations. However, a new occupation creates its own place.

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To Bill

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Introduction

Risk management is a relatively recent addition to the corporate structure.[1] In its search for a place of its own, risk management has fought turf battles with Human Resources, Legal, Operations, and Finance departments. The newcomer has won many of its battles and is still fighting others. Risk management became popular in the 1980's, when many companies heard about the function and hired risk managers for the first time. However, the economic recession of the early 90's has resulted in many companies' deciding to do without even key risk managers.

Risk management is the treatment of loss exposures. A loss exposure is a set of circumstances that presents a possibility of loss. Once the loss exposures have been identified, the corporate risk manager decides how best to treat the risks. One method traditionally used by corporations is to transfer the risk to an insurance company. For a specified dollar amount, the company is assured that insured products or structures will be replaced if damaged under conditions of fire or other covered causes of loss.

The position of Risk Manager in the corporation is relatively recent. In previous years, one person in the organization bought property and casualty insurance as one of several job duties. The insurance agent told this person which coverages the company needed. The agent could thus control the amount of insurance knowledge this person possessed. One way to look at the impetus for

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1 The name "risk management" as used in this paper will refer to the provision and administration of insurance and related services. Another occupation also uses the title of risk management, managing the monetary risks of investments.

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creation of risk management is as an occupation created by market failure (Scherer 1964). The insurance market is an example of an imperfect exchange of information. The seller (insurance agent) has all the information about the product (insurance), but the buyer does not. The seller presents certain information to the buyer and offers a price for the product. The buyer uses its own information to evaluate the price and negotiate with the seller for a lower price.

Risk management does not fit the scholarly, narrow definition of a profession. However, there are multiple definitions of the term, including reference to workers with special skills that set them apart from amateurs. This definition includes connotations of status and prestige (Freidson 1986). The latter definition reflects lay person usage, including the often used terms *professional* and *professionalism*. Risk managers work to be considered professionals by the second definition, which may lead to professionalism in the stricter sense of the word.

An examination of risk management documents the struggles this field faces as it competes for status within the business world. The value of a label of "professional" could positively influence the interactions of Risk Managers with both buyers and sellers. Higher status could give more bargaining power over sellers in the sales transaction. Power over the client/buyer would grant greater autonomy to the expert. The expert asks that the client trust his or her judgment and skill at the job (Hughes 1971). In this way, the occupation gains the right to control its own work (Freidson 1970).

Once in a position of authority, the risk managers claimed more knowledge territory by defining their job as more than insurance purchasing. Not only could a savvy risk manager save money by getting price and coverage quotes from many insurance companies, but he or she could even form an independent insurance company through the use of self-insurance and captive insurance companies. Insured and uninsured risks should be monitored and managed because a low loss record leads to lower insurance premiums.

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Conceivably, the risk manager should be involved in every business decision. If this goal is realized, risk managers could control entry into their occupation, regulate themselves, and become full fledged professionals.

This paper explores the occupation of risk management, from its lowly organizational beginnings to its recent popularity. At the present time, risk management is best described as a "near profession" (Hughes 1984). Its "nearness" to professional status is keenly felt by its members, and they engage in what I call "status work" in attempts to elevate their positions.

Methods

My study is based on both interviews with insurance and risk management insiders and my own experiences in the industry. Over a period of a year and a half, I interviewed 49 people in risk management, as shown below.

position	male	female
risk manager	27	13
head hunter	2	
risk management professor		1
insurance brokers	2	2
former risk manager	1	
health care risk RM administrator	0	1
total	32	17

(Please see Exhibit 1 for a description of the risk managers by industry.) The risk managers ranged from $36,000 to over $120,000 in salary, and controlled budgets of three to ninety million dollars.

I have worked for an insurance company for two years in an actuarial position. From there, I became an Insurance Analyst for a

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Risk Management Department. I worked in this capacity for more than two years before I returned to graduate school. I know several risk managers from my experience in the business who have helped me get referrals for interviews. I have also used the directories of the two Chicago area risk management societies to solicit interviews. I believe my experience in the field gave me credibility with the subjects, as well as allowing me to understand the social relationships implied in their use of industry jargon.

I have interviewed the subjects in person, with the exception of 4 phone interviews. The interviews were conducted at the risk managers' places of work, usually in their offices. The interviews lasted one half to one and a half hours. I tape recorded the interviews when possible, and transcribed them verbatim. When the situation was not conducive to tape recording, I took notes. I transcribed all of the interviews myself. Any names used in this paper are pseudonyms. Most respondents are denoted by code numbers.

Importance of the Study

A study of an occupation in the insurance field may bring new light on an area of study dominated by two examples, medicine and law. Risk management is another example of a consulting occupation, selling its expert knowledge for lay people's use. Risk management is most commonly found in large corporations, which affects the structure of the work done in this occupation. Since risk managers are not housed in an insurance company or agency, they have the opportunity to distance themselves from the source of their expert knowledge, the insurance industry. However, since they must keep abreast of insurance news in order to call themselves expert, this distance cannot be maintained. Throughout this discussion of the risk management "profession," we are speaking of an occupation in

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transition. Jurisdiction, autonomy, license and mandate are all under negotiation at the present time. Timing is an important part of this study. Will risk management be able to make the transition to a recognized profession? Or, will it sink into obscurity?

My study will concentrate on the commercial side of insurance, which involves the purchase of insurance for large companies (which we will define as over 500 employees). Commercial insurance agents have higher status than personal insurance agents. As in the law, the agent obtains status from the client. Large companies do not purchase their own insurance, either. Commercial insurance is too complicated for non-insurance trained people. They employ insurance professionals (risk managers) to perform this task for them.

Bureaucracies have created the need for risk managers. Formerly, the only counsel on how much of what insurance to buy was given by the insurance agent. However, the companies felt that either they needed more, better, or more discriminating advice to purchase insurance. Some risk managers consult for several firms on specialty cases only, while other firms have created a need for in-house counsel. This pattern is similar to the creation of in-house legal departments. However, unlike the law, this occupation is an example of an occupation formed within the bureaucratic structure. Another interesting aspect of this study will be a look at the effect of embeddedness of an occupation in an organizational structure.

Risk management is also an example of a faction of an occupation trying to pull away from the rest of the field. As risk management became a function of bureaucracy, it has tried to distance itself from the field of insurance in order to enhance its standing within the business community. Despite its roots in insurance, risk management is trying to pull away from its insurance association. However, if it were to separate itself from the insurance field altogether, it would lose some of its expert knowledge. So, this occupation is part of insurance, but negotiates its distance.

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Before examining the social setting of the risk management occupation, the reader should become familiar with some key industry ideas. Toward that end, Chapter 1 explains some of the insurance and risk management jargon. (The same principles are used in both commercial and personal insurance. Therefore, the chapter makes use of many personal insurance examples.) Chapter 2 describes the history of moving risk management functions from brokers to in house. Chapters 3, 4 and 5 round out the picture of the occupation through discussions of authority, evaluation and ideology of risk management. The second half of the paper describes the risk managers themselves, where they come from and how they elevate themselves. Chapter 6 describes how risk managers work to define their positions within their organizations. Chapter 7 examines the ports of entry into the field, while Chapter 8 details career advancements. Chapter 9 investigates women's place in the occupation.

In the course of the study we will look at risk management as an illustration structures and processes of similar occupations. This example illustrates how an occupation begins and grows. Risk management is still defending its basis of authority, its position in corporate America still unsure. We will look at defensive strategies used by members to protect their occupation and their jobs. These members know of their precarious position and provide a unique perspective on occupational status.

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Chapter 1

Insurance Concepts

This chapter will explain the general duties of corporate risk managers. Corporate risk managers deal with many of the same categories of risk that each of us face in our daily lives. A basic understanding of personal insurance will help the reader understand the duties of corporate risk managers. These duties include identifying risks, insuring risks, loss prevention and loss control.

Identifying Risks

Each of us manages the risks inherent in our daily lives. Our normal lives are filled with possibilities for monetary loss. For example, Ms. Smith, a homeowner, may choose to shovel the sidewalk after a snowstorm. However, she may be sued if someone slips and falls on the shoveled walk, claiming faulty shoveling techniques.[1] If Ms. Smith practiced risk management techniques, she would have identified the exposure to risk (in this case, the possibility of being sued) and taken measures to prevent bodily injury and monetary loss arising from the activity (snow shoveling). Corporate risk managers identify the risks accompanying each operation of their companies and find ways to minimize the risk of loss. Our homeowner can also find ways of actively managing her

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1 A comment on our country's legal system is the fact that a property owner is more liable after shoveling a walk than not shoveling, unless there is an ordinance requiring shoveling after a snowfall.

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risk. She can shovel her walk carefully and salt it, a loss prevention technique. She can also purchase liability insurance with her homeowner's policy, thereby transferring some of the risk of monetary loss to an insurance company.

Major companies are exposed to many hazards (causes of loss). Risk managers evaluate the exposures and can find many types of insurance to cover them. Among the property insurance coverages that are available are: building coverages for existing structures and structures under construction, boiler and machinery, aircraft, ships, cargo (marine and inland) and Electronic Data Processing (EDP) equipment. Casualty, or liability, coverages can include: general, environmental, directors and officers, municipal, automobile, aviation, truckers, employers, professional liability and surety bonds. (See Exhibit 2 for some common types of insurance and coverages.) Risk managers need to know about the various types of insurance coverage available and decide the most cost effective method for handling each risk.

Some risks are not insurable, such as contractual risks. Not only is a company physically exposed to risk, but it is contractually exposed. In contracts from standard purchase orders to joint venture agreements, from the simplest to the most complex contracts, parties negotiate liability for various actions. Reviewing contracts in regard to liability can absorb much of a risk manager's time. Risk managers review contracts between parties to ensure that each party is responsible for its own mistakes. They may look to other parties to provide insurance when their own company cannot cover the loss. For example, independent contractors provide their own insurance and do not look to the employer to provide coverage. One very time consuming process is following up with these outside entities to verify current insurance throughout the business relationship to prevent loss to the corporation. Handling risk is a combination of insurance, loss prevention and loss control.

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Insurance Mechanisms

Insuring the company against loss is one of the most visible duties of corporate risk managers. However, buying insurance for every exposure at a large corporation is prohibitive. The company could easily spend all of its potential profits on insurance. Skyrocketing insurance costs are the main reason insurance specialists are needed in corporations. One of the goals of a risk manager is to lower insurance costs, or premiums. One way to lower insurance premiums is to shop around for different price quotes. This is relatively easy for an average risk such as a personal auto or house. Personal insurance is regulated by the states, and the coverages are very similar between companies. But commercial insurance is not highly regulated by the state, and there is an assumption of a sophisticated insurance buyer. Therefore, comparing commercial policies is much more complicated than comparing personal policies.

One other way to lower insurance premiums is to assume, or take on, more of the risk of loss. For example, an individual can take a higher deductible on a policy. This means that the insurance company is not liable for smaller losses. Less insurance company time is spent on the handling of claims, most of which are at the lower severity range. The individual pays for the portion of each claim under the deductible. Therefore, the insurance company does less work and charges a lower premium. Coverage is restricted to higher limits than the individual is comfortable with handling out of his or her cash flow. In the case of Homeowner's insurance, the savings resulting from changing from a $100 deductible to a $250 deductible may be significant. Higher deductibles are also available at greater savings. Large corporations may have deductibles in the hundreds of thousands or even millions of dollars on their insurance policies.

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Unless one is legally bound to purchase insurance, one can choose to self insure a risk, that is, assume all of the risk of loss. To use a personal automobile example, automobile liability insurance is mandatory in some states, but physical damage insurance is not. Anyone can choose not to purchase insurance for physical damage to the auto and instead set up a savings account for the purpose of building a fund to pay for future damages. One could pay monthly installments (premiums) into the account. In such a case, the individual is acting like an insurance company.

If you chose to be your own insurance company, how would you know how much money to set aside each month? In the same way that insurance company actuaries determine insurance rates, you could look in a loss severity report for the average dollar loss for your make of car. If the amount is $400, you could put away $33.34 per month. (Actuaries also take into account things such as crime rates for your area, age and marital status of driver, driving record, all of which are statistically proven to correlate with frequency of losses.) If you put away $33.34 every month, you will be able to pay a $400 loss after one year. However, you could have the $400 loss after one month. Then there would not be enough money in the fund to fix your car.

A year could go by without a loss. You could spend the $400 and start over the next year. Again, you could have the loss during the first month of the second year. Another alternative would be to invest the money and earn interest. This is what insurance companies do.[2] In this way, you can insure yourself. "Self

---

2 When I worked at an insurance company and set rates for Personal Automobile and Homeowners insurance, I found out that very few insurance companies make any profit from auto insurance. They write auto insurance so that they can get the other types of insurance that make some money, like Homeowners insurance. Even there, the companies make very little from the actual insurance, but make almost all of it in investing the money while waiting for the claims to come in.

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insurance"[3] is generally less expensive than purchased insurance since money not spent on losses is saved instead of given to insurance companies. Self insurance requires proper budgeting, loss prevention and loss control to be effective, as will be explained below.

Let's say you have $400 in the bank and are starting your second year. You are prepared for an "average" loss. However, individuals do not have average losses, they have specific losses. One person does not usually have enough cars to average losses. At an insurance company, one policyholder can have a $10,000 loss and 32 others will have $100 losses, making the average loss $400. If an individual acts as an insurance company, he or she must be prepared for the possibility of a $10,000 loss. Many people are not comfortable with that possibility. They will choose to purchase insurance with a guaranteed cost each year, regardless of the actual dollar loss. Many people prefer to let the insurance company take the risk of a large loss, and also prefer to have a predetermined payment for easier budgeting.

Corporate risk managers have large deductibles on their insurance policies. Therefore, the risk managers have to fund the losses that fall under the deductible. Often, the deductible is purposely set higher than any feasible claim. This type of insurance is called "catastrophic insurance," and is designed as a safety net for the regular funding programs. If a company purchases only catastrophic insurance and self insures all of the anticipated losses, the risk manager is in effect running an insurance company. A company may formally set up its own insurance company which covers the company and may even sell insurance to outside risks. Company owned and run insurance companies are called "captives" if

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3 Risk managers vary in regard to their perception of self insurance. Some claim that it is an insurance vehicle, since it does provide a funding mechanism for future losses. Other risk managers do not consider self insurance to be a form of insurance because there is no transfer of risk, one of the goals of insurance.

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they can only sell insurance to their parent companies. As companies have assumed larger and larger portions of their own risks, predicting future losses and the accompanying dollar loss has become a critical part of risk management.

Property insurance (that which insures tangible property, such as buildings or cars) costs are relatively easy to forecast. Past losses are a good indicator of future losses. Also, property claims are relatively easy to settle. The damage can be quantified and repair cost estimated. Once the damaged item is repaired, the claim is closed. However, casualty insurance (also called liability insurance) is more difficult to settle and therefore more difficult to forecast. First of all, liability claims may not be submitted to the company for several years after an accident happens. For example, a claim for an injury in 1990 by slipping and falling due to Company X's negligence would normally be covered under the 1990 policy, even if the claim was not presented to the company until 1992 (all risk managers surveyed use occurrence forms on General Liability coverages). Therefore, an allowance must be made for future claims for losses that have already happened (called Incurred But Not Reported or IBNR losses) when calculating 1990 losses.

Second, even if 1990 casualty claims were presented in 1990, they are not necessarily settled in 1990. Investigation and review of the claim takes time. Therefore, litigation time and costs are estimated in budgeting for the total payout for 1990 losses. Jury awards are always unpredictable. All of the above listed factors are taken into consideration when reserving (setting aside an amount of money to be used to pay) a claim. Generally, only very large companies can afford to self insure significant portions of their casualty exposure. Insurance companies and large corporations have enough exposures, or possibilities for loss, that they can both a) use past experience to forecast future losses, and b) fiscally withstand large claims.

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One other consideration that the corporate risk manager has is the different types of coverage offered by different insurance companies. In the private sector, personal insurance is regulated by the states. Insurance coverages are similar between insurance companies in order to facilitate insurance purchasing by the general public. With standard forms and coverages, comparison shopping is possible. However, insurance companies use enhancements of coverage to differentiate their product from others in the world of commercial insurance. Many risk managers do not even try to unravel the various coverages offered. They compose a "manuscript" policy, written to their own particular specifications. Insurance companies can then bid on providing the coverage.

As one can see, the decisions regarding the purchase of insurance in the corporate world are complex. Once the decisions are made as to the amounts and types of coverage, the task is not over. On the individual level, purchasing insurance is an annual event. Corporations also purchase insurance annually, but the companies are constantly changing. Identifying risk is an ongoing process in the corporate world. Each change in company business must be reflected in the insurance coverage in order to maintain adequate coverage. Policies need to be changed whenever a new location is built, purchased or sold, or there is a significant change in the workforce, production, or operations.

Loss Prevention

Our homeowner, Ms. Smith, salted her walk in order to minimize the potential for loss. Corporate risk managers make use of many safety techniques to keep workers and others from bodily injury. Examples include safety guards on equipment, training in the proper use of equipment, warning signs around hazardous materials/areas, emergency procedure drills, and protective clothing.

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Protection against loss of physical property can include smoke detectors, sprinkler systems, specially designed buildings, and isolation of hazardous materials. One of the most often repeated phrases in risk management is, "The best way to reduce a loss is to prevent it." Safety is the proactive part of the risk manager's duties.

Insurance companies are very concerned with safety procedures. Commercial insurers usually make periodic inspections of facilities that they insure. The insurance company looks for ways to improve safety and submits recommendations to the risk manager. Fewer losses mean less money that the insurer has to pay out in claims. Since commercial insurance rates are based on loss history, companies with well protected plants and employees pay less money in insurance premiums. Safety pays.

Loss Control

Once a loss has happened, there are still ways to reduce the final cost. Most risk management departments do not handle all aspects of each claim. For routine insured claims, the insurance company generally handles the claims. Self insured plans may employ a Third Party Administrator (TPA) to act in the same capacity on a fee basis. Employing an outside firm to handle the bulk of claims is generally more cost effective than having an entire claims department in house. Regardless of who handles the claims, the insured is informed of the outcome of the claims by periodic reports or even on line computer access to claim information.

Companies are becoming more concerned with the cost of claims with increasing medical care costs. "Managed care" is a popular theme among risk managers with high Workers Compensation exposures. Each claim is evaluated and there is interaction with the injured person during the claim, as compared to a method of paying claims after all medical care is finished. Today,

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there is much more attention paid to getting workers back to doing modified work routines after their injuries are healed. Similarly, on property losses, several bids are made to find less expensive ways to repair a building after a fire, for example. Construction is monitored to keep the repairs on schedule and within budget. Risk managers pay close attention to claims throughout the process.

Loss reports are vital to risk managers in loss control and loss prevention. In addition to looking for ways to reduce costs in current claims, risk managers arrange reports by location or division to identify patterns in the losses. If one particular plant is having more slip and fall injuries than any other, the risk manager may inspect the location. Perhaps the maintenance people are not using proper cleaning techniques, or the floor may need to be resurfaced for better traction. Loss control and loss prevention work together with insurance mechanisms to reduce claims and their cost.

In conclusion, risk managers generally spend most of their time on these four areas: identifying exposure to risk, insurance (and self insurance), loss prevention, and loss control. The complexity of handling the risks of large corporations require people who are well versed in insurance and related fields. Identifying risks throughout the company means that risk managers work with all areas of the company. (See Exhibit 3 for the types of knowledge needed to perform the risk manager role.) Knowledge of insurance and the concepts of insurance is needed in order to finance the risks. Loss prevention anticipates future losses, and loss control reduces current ones. All of these activities make up the core of risk managers' duties.

Individual risk managers also perform other functions, depending on their companies' structures. Some risk managers' duties include employee benefit insurance. Life & health insurance is very different from property/casualty insurance, but the general concepts are the same. Incorporating funding and financing skills,

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some risk managers are responsible for benefit funding, such as 401k or pension plans. Or, financing expertise may involve the risk manager in company budgeting and forecasting.

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Chapter 2

The History of Risk Management

Corporate insurance has a long history. One railroad initiated an insurance function as early as 1878. Other railroads soon followed, since railroad operations have a great deal of inherent risk (Snider 1964), but the corporate insurance function did not become popular until the 1930's. In 1931, the American Management Association initiated an Insurance Division. There is record of some initial resistance to this group from insurance companies and producers (agents and brokers), which the Insurance Division overcame with assurances that they did not intend to upset normal trade channels or replace producers (agents and brokers) or insurance companies.

At that time, insurance agents or brokers[1] advised on the types and amounts of insurance companies should buy. (This is still how many companies purchase their insurance today.) However, since the agent or broker was paid by commission from the insurance company based on the amount of premium, this was akin to "putting the fox in charge of the hen house." The broker could inflate coverage requirements in order to sell a greater volume of business, or persuade companies to buy unnecessary coverages. Agents were

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[1] There is a difference between the two terms, which are often interchangeably used. Insurance agents directly work for the insurance company. Brokers do not have any contractual arrangement with any particular insurance company, but solicit bids from various companies to provide insurance coverage for their client. Direct writer agents are employed by a single insurance company, and independent agents represent several companies.

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further motivated by special incentives like bonuses for selling policies of certain companies. Like many auto mechanics, insurance agents had control over the information necessary to make a good judgment and were paid on commission.

By creating a position within the company responsible for the purchase of property/casualty insurance, the corporation could gain more control of a large budget. The position evolved from a lowly clerk with limited authority to one of considerable power within the company. The change in authority included a change in occupational terminology, from "insurance" to "risk management." In addition to the name change, risk management laid claim to new areas of power like other organizationally based occupations, such as human resource management.

Bringing Insurance in House

Many companies have decided that purchasing decisions and commission should not go together. (The recent Sears Automotive Repair scandal shows how this combination can sour the reputation of a company.) The realization of possible conflicts of interest led companies to change the position of the person who bought insurance for the company. Many corporations took the function in house, as they did with computer programmers, accountants, and lawyers. Similar to these other specialties, the company management decided they were spending quite a bit of money on something over which they had little control. A staff member would be more likely to put the company first, without all the distracting insurance company incentives. Also, as a staff function, management could more easily oversee the process and control runaway costs. The control over the function is mitigated by the "expert" nature of the duties. The complexity of the knowledge, whether of law, computers or insurance, protects the expert from direct supervision. The change to

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an in house insurance staff position grew in stages as the buyer gained more responsibility.

Evolution of the Risk Manager Position

The position of Risk Manager has evolved through 3 lesser positions: insurance clerk, insurance buyer, and insurance manager (Greene and Swadener 1974). Many companies already employed a person whose responsibilities included insurance purchasing, but they often had little knowledge of insurance. The main focus of the job duties lay elsewhere. At this time, the corporate function became less of an insurance clerk, who just furnished information to the agent, allocated costs and kept paperwork up to date, to an insurance buyer. The insurance buyer was more involved in choosing the companies and coverages, spending more time on the process of insurance buying than the clerk. However, insurance was still the only responsibility of the insurance buyer. The insurance buyer spent almost all of his or her time on insurance related duties during the annual insurance renewal process. During this time, insurance companies require applicants to furnish meticulous reports detailing the companies' assets and operations, including safety measures and devices for each type of property or activity. Insurance companies use these facts to develop a quote for insurance costs.

The insurance buyer made the decisions regarding insurance purchases with the help of the agent/broker. Depending less on the broker was the Insurance Manager, in next evolution of the position. As the title implies, the Insurance Manager was in charge of a department dedicated to insurance. Insurance was the main focus of the position. Widespread use of a separate function for insurance monitoring in large corporations came in the 1950's. The Insurance Manager was more knowledgeable about insurance than the insurance buyer. An Insurance Manager typically had a background

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in the insurance industry, typically in underwriting or brokerage. With inside knowledge of the insurance buying system, the Insurance Manager could get better deals in the marketplace. Insurance Managers performed their functions differently than insurance clerks or buyers. An Insurance Manager might ask several brokers to give quotes for their business, or choose separate brokers for different lines of insurance. The Insurance Manager was a savvy consumer of insurance.

Insurance Managers still based their program of protecting the companies' assets through traditional insurance coverage. Insurance Managers were not likely to assume risks by taking large deductibles or self insuring risks. Looking beyond insurance coverages and performing some of the insurance companies' functions in house is the Risk Manager. Risk Managers actively handle risks. They identify the potential risks and decide how to manage them. They can use traditional insurance, or they can financially take on all or part of the risks.

Risk management has evolved from insurance agents giving advice to an internal corporate function. The latest addition to the occupation is the risk management consultant. A corporation can now hire a risk manager for a period of time or for special projects. "Renting" a risk manager may be less expensive for the company than hiring one. Consultants may also take the place of professional staff. One downsized company in this study occasionally employed a consultant instead of keeping a full-time analyst on staff. The presence of risk management consultants completes the evolutionary circle from outside advisors to staff and back again.

A New Name

As will be discussed further in Chapter 5, the new title of "Risk Manager" indicated competition for a new jurisdiction. Risk

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managers could avoid the negative connotations of their old area, insurance, and at the same time, expand the scope of the position. This move was similar to personnel's change in title to human resources. With the idea of controlling insurance costs through loss prevention and loss control, the position greatly expanded. Both risk management and human resources moved from discrete, repetitive tasks (insurance buying/claim filing and hiring/firing) to ongoing, complex responsibilities.

Many risk managers have also changed their relationship to insurance brokers. They may negotiate the commission the broker receives, or pay the broker on a fee basis. Although most brokers are compensated through straight commission (RIMS, 1992), there is some movement toward a mix of compensation by coverage. (With the advent of self-insurance and captive insurance companies, some risk managers perform all of the functions of brokers, which shows that brokers had good cause for alarm in 1931 when the AMA Insurance Division started.)

The first risk management texts were published in the early 1960's, as the occupation attempted to make a distinction between insurance purchasing and "risk management." As evidence of this shift, the *Journal of Insurance* changed its name to the *Journal of Risk and Insurance* in 1964. In the Journal of Risk and Insurance, "risk management" appeared in the title of articles 25 times in the period 1956-1990, as follows:

1956-60	3
1961-65	8
1966-70	4*
1971-75	3
1976-80	1
1981-85	2
1986-90	4

* one article related to risk management of mortgage lending

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The above figures do not imply that the field of risk management is dying, rather that it is being divided into smaller units for discussion and analysis. They do point to the early sixties as a time of attempts to make use of the term "risk management."

The hard market (when cost is high and coverage is scarce) in the mid 1970's meant increased demand for the new field of risk management. Risk management came into areas that had not previously adopted its ideology, such as municipal government and hospitals. Both of these areas were hit hard by reductions in insurance availability. As a government publication on hospital risk management recently stated,

> Risk management was first applied to health care facilities during the medical malpractice crisis of the early 1970s when jury awards and settlements increased sharply. During this period many insurance companies either substantially increased hospitals' premiums or stopped writing malpractice insurance for them. In response, hospitals increasingly began to implement risk management programs in an effort to help control their financial losses. (GAO/HRD 89-79, 2)

The areas of municipal and hospital risk management have been successful in their efforts to become an integral part of management by reducing costs. (Ten states now require hospitals to have risk management departments.) These two risk management groups have separated themselves from corporate risk managers (whom they see as in league with the insurance companies) by creating their own risk management associations.

The mid 80's were also a time of increased demand for risk management. The demands came not only from internal pressures, but the external pressures of increasing regulations, the insurance cycle and a healthy economy. Changes in government regulation included OSHA, EPA and Superfund legislation. Someone had to handle the ever increasing amount of paperwork relating to safety issues. In 1985, the insurance business was in crisis. Many

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companies could not afford the same amounts of insurance coverage as the previous year, even if they could find an insurance company willing to write it. The media picked up on the "insurance crisis," and many companies panicked. Growing companies not only needed as much insurance in 1985 as they did in 1984, they needed more. The companies had new plants, locations, operations, and workers. They needed a full time specialist to handle a potentially dangerous situation. Many companies hired risk managers for the first time in the 1980s.

The current soft market (insurance is available at a relatively low cost) has made insurance relatively easy to buy, so the demand for risk managers in the US is not as high as in the 1980s. In fact, some risk managers are being laid off due to the recession or made redundant due to mergers and acquisitions. However, in the global market, the demand for risk managers in other countries is rising. For instance, insurance has not been a problem in Japan. Markets were regulated, and litigation was infrequent. In recent years, with more foreign involvement, risk management has seen a recent boom. "Risk management has suddenly become a key word for businesses and lost of attention is now being paid to it," a risk management professor said (Takei, quoted in McIlwaine 1991a, 71). "The increased awareness of risk also has been spurred by environmental liabilities, mergers and acquisitions, and litigation overseas," (1991a, 72).

Similarities to Other Occupations

Many occupations and professions begin as salaried positions in companies (Whyte, 1951). Risk management is one such occupation, as is human resources. Both risk management and human resources were created within organizations. Organizationally based occupations differ from autonomous professions taken in house, such

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as the law. Risk management derives status from its corporate environment.

Human Resources

Another up and coming occupation is human resources (HR). Human resources has been in corporations longer than risk management and has had to fight a similar uphill battle for authority and status. Human resources management was called "Personnel" in earlier days. Personnel managers had limited authority over a small area. Until the 1960's, Personnel areas included hiring and firing, record keeping, and planning the company picnic (Ivancevich 1992). Human resources management presently defines itself as "much more than simple filing, housekeeping, and record-keeping" (Ivancevich 1992, 8). It also has an ideology which emphasizes the importance of human resources to the well-being of the corporation.

Human resources management, like risk management, has adopted a name that allows the function to claim additional corporate territory. Human resources is a broad category that conceivably includes anything to do with employees. Since corporations are run by people, human resources management seeks an integral role in strategic decisions. Human resources has positioned itself as essential to corporate survival and prosperity. By incorporating measurable goals and cost/benefit analysis, human resources management defines itself as a "profit center" (Ivancevich 1992) as it reaps the benefits of investment in people (Staehle1990). As such a vital part of the corporation, human resources management claims a need for senior representation (Kaponya 1991), like risk management.

In human resources's quest for power and status, it is vying for favor against risk management. Both disciplines are trying to increase their bases of authority to gain legitimacy. In the corporate

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world, power is often measured by the number of people in a department and the department's budget. These two numbers are frequently used by managers to gauge the relative importance of departments, especially in times of cutbacks.

Human resources management has historically been in charge of employee benefits such as health insurance, life insurance, and pensions. Risk management has generally coordinated Worker's Compensation insurance, as this coverage is often self insured. (A 1990 survey showed that 76% of risk managers have complete authority over Worker's Compensation insurance [RIMS 1992].) As more health insurance becomes self insured as well, risk managers are eyeing health insurance as their next conquest. Only 15% of risk managers have complete authority over employee benefits (RIMS 1992). Human resources management is also aware of the similarities between health and Worker's Compensation coverages, and is seeking to add Worker's Compensation to its authority. Each of these coverages is expensive, adding to the staff and budget of the controlling department.

Combining Worker's Compensation and health insurance is a logical step, saving the money lost when employees claim benefits for the same injury under both plans. Insurers have been marketing combined coverages as "24 hour policies," which cover employees during working hours under Worker's Compensation and at all other times under health insurance. Safety is another area in which human resources and risk management departments are trying to add to their authority. Risk management and human resource management departments will have to compete for control over these areas. While 3% (RIMS 1992) of risk managers report to human resources departments, the remaining 97% of risk managers have to compete with human resources departments for control over these big-ticket expenses.

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Legal Departments

Unlike risk management and human resource management, the legal profession matured before moving into corporations. While only a minority of lawyers work in large law firms, the ideal type of elite lawyer is still one at such a firm (Nelson 1988). Working as in-house counsel for a corporation a step down in status for an independent professional. Risk management, on the other hand, owes its occupational life to its move into corporations. Due to the negative image of insurance work, the highest prestige jobs in the insurance industry are not at insurance companies, but at corporations. Individual risk managers attempt to convince their superiors of the importance of risk management and, therefore, of themselves. Risk managers may even become officers at Fortune 500 companies. The name of the occupation shows its evolution from the insurance industry to a field of its own, separate from its origins.

In conclusion, risk management is one example of an occupation with organizational foundations. Corporate management created the position of an insurance expert, which occupants worked to redefine with ever increasing responsibilities. Insurance professionals capitalized on the possibilities for expansion of their niche in corporations, working their way into other departments' areas by showing the inter relatedness of all departments and how insurance (and related ideas) fits into each one. With this information, the insurance experts created a new name, risk management, that could apply to many areas of the company, which will be detailed in subsequent chapters.

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Chapter 3

Risk Managers' Authority Bases

Risk managers gained a position in the corporate world through two main sources of authority -- a specialized knowledge of insurance, and the high cost of insurance. Corporations need insurance to do business. However, very few people understand insurance. Not that it is so difficult to learn, but it is technical and few people feel it is worth the effort. Someone must make the effort because the high cost of insurance makes it a large percentage of company expenses. High expenses eat into profits. Therefore, the person who can tame the savage, arcane beast of increasing insurance costs is valuable to the bottom line, and to the company as a whole.

Jurisdiction is a claim to control a certain type of work, and jurisdictional claims are often made in the workplace (Abbott 1988). Risk managers want to claim the area of insurance as their jurisdiction. Having risen from part-time job duties to a full-fledged position in the corporation, they are fully aware of the precarious nature of technical niches. Therefore, risk managers use their technical knowledge to proclaim themselves as "experts" while emphasizing the organization's need for expert guidance.

Specialized Knowledge

As mentioned in Chapter 1, most people know less about their personal insurance coverage than how their car works. To minimize

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this ignorance, personal insurance forms are written in "easy to read" language for the average consumer. However, commercial insurance makes no such concession. A legal contract, the commercial insurance policy is lengthy and detailed, designed to cover every contingency. In order to understand the policy, one must have a knowledge of insurance terminology and patience with legalistic detail. Companies employ experts to read insurance policies and understand what risks have been transferred to whom. As in any other legal contract, whatever is not in the insurance policy is not covered. Risk managers are employed to understand the omissions as well as the additions in policies.

In addition to not understanding insurance, most people do not *want* to understand insurance. Recent consumer revolts against insurance companies have given personal lines insurers a bad reputation with the public. The recent revolt of California consumers against personal insurance companies gained national attention. California voters decided by referendum to mandate lower insurance rates. However, this decision was found unconstitutional by the state Supreme Court. The principle of open competition still stands in California. The reason people were so frustrated with insurance costs is that many people do not understand how auto insurance rates, for example, are calculated. Many figures go into the calculations, including medical costs, legal fees, and crime rates. As one of the most litigious states in the US, insurance companies have good reason to charge higher premiums in California than in other states. Average people, however, do not take note of higher litigation and instead focus on the higher auto premiums in (the higher crime area of) Los Angeles and claim discrimination. Personal insurance companies are only noticed in times of disaster and poor service, which gives the entire insurance industry a poor image.

The commercial insurance market is distinct from the personal lines, but generally only people involved in the insurance field are aware of this fact. The negative connotation of the insurance

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industry makes insurance a less desired field of specialization. All of the risk managers interviewed agreed that insurance has a poor connotation to most lay people. (However, not all of them were concerned with the public perception, as long as the "right people" knew otherwise.) Lack of attraction does serve a purpose of keeping others from encroaching on the corporate insurance function. It is not a coveted or highly contested area. Without inside knowledge, others cannot penetrate the field. Additionally (and perhaps more importantly), if others do not know the field, they cannot eliminate risk managers' jobs by routinizing the tasks.

Another brick in the wall protecting risk management from invasion is the esoteric nature of insurance. Even risk managers' superiors do not necessarily understand insurance. Most risk managers report to a financial superior, usually the CFO, Controller, or Treasurer. Insurance mechanisms have much in common with finance, since they are both based on the time value of money. Even with this common understanding of general financial concepts, most executives are not well versed in the technicalities of insurance. Without a thorough understanding of insurance, risk managers' superiors are dependent on the risk managers themselves to report on the activities of their department. Technical specialization brings autonomy to the risk managers; they are free to run their own shows. Specialists have the ability to define what "problems" exist, and therefore what qualifications are needed to deal with the problems (Collins 1979).

The complexity of insurance coverages and methods of purchasing insurance is usually enough to keep lay persons outside of the insurance area. A risk manager will be asked to understand property, casualty, and surety insurance in depth, and may even administer health and life insurance programs. Each of these types of coverages is very different from the others. Most companies purchase their insurance from more than one insurance company, and some have a different broker or agent for each different type of

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insurance. The risk manager must have previous insurance industry knowledge or go through intensive training to be knowledgeable enough to evaluate quotes for insurance coverage.

Another layer of complexity is the seemingly capricious nature of the insurance market. The cyclical nature of insurance pricing and availability add mystique to the profession. Those outside the profession see insurance as arbitrary and unpredictable. While there are logical reasons for the changing pricing and availability of commercial insurance, understanding requires industry knowledge and attention to economic and insurance related impacts. Executives typically have little understanding of the insurance market, and so have created a niche for those who would tame the insurance beast.

The unpredictability of insurance costs gives risk management more than a mystique; it makes risk management complex. Insurance knowledge is not difficult to learn, but the application of insurance and financial knowledge to a dynamic organization cannot be learned from a textbook. Risk management makes use of craft-like knowledge, best learned in practice. Occupations which require skill and discretion are often given the status of "profession,"

> The ideal profession has a skill that occupies the mid point of a continuum between complete predictability and complete unpredictability of results. (Collins 1979, 133)

Risk management incorporates certain insurance knowledge with the uncertainty of insurance cycles and insurance claims (the results of accidents). Together, these components create an ever changing environment for the risk manager. (The effect of these changes on the corporation's evaluation of the risk manager's performance will be investigated in Chapter 4.)

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Expense

The modern corporation's concern for profit and the current financial definition of the corporation has changed from the earlier sales and marketing perspectives (Fligstein 1990). Instead of emphasizing a product or family of products, the modern corporation produces whatever will make the most profit. The finance conception of the corporation leading to financial evaluation of every part of the organization has become so pervasive in business as to be ideological. Indeed, the rational basis for evaluating business decisions has a long history of sociological concern, from Simmel's (1978 [1900]) description of money as an alienating feature of modern society and Weber's analysis of rational instrumentalism as a critical element of modern capitalism (1976). (Also, see Carruthers and Espeland 1991, for a discussion of the development and importance of rational capital accounting.)

The shift in ideology has also shifted the relative importance of departments. As Kanter said, "A changing business climate was known to shift the relative position of functions with respect to one another and to account for the balance of power between people who depended on each other across functions" (1977, 175). Finance is king. A financial evaluation of past projects and future plans has become ingrained in corporate planning, with cost benefit analysis as natural as breathing. Therefore, new functions within companies must use the financial ideology as a basis for their authority, i.e., they have to show the company that their specialty will improve the bottom line. Concerning the skills risk managers will need in the future, one author said,

> Increasingly, the chief financial officer is assuming responsibility for the insurance and risk management function. This trend goes hand in hand with an increased emphasis on the financial aspects of a risk management program. ... Risk managers will have to think in financial terms as they become an integral part of the corporate finance team. (Daniels 1991, 25)

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The dominance of financial thinking makes finance a large part of any new corporate occupation. Collins (1979) has noted that occupations gain power through controlling uncertainty in crucial areas. Money is the most crucial area of a company. If one can control financial areas, one has the corporation by the pocketbook.

Risk management, the protection of corporate assets through insurance and other related mechanisms, is one occupation that has used the dominant ideology (often used as a basis of authority by new occupation in search of status [Larson 1977]) to carve out an occupational niche in large corporations. Often, risk managers do not recognize their dependence on the bottom line ideology because the perspective is internalized. Thus, looking for the most cost effective method is the "frame of reference" (Shibutani 1961) through which all business decisions are seen.

Dependence on the Bottom Line ideology is evident in risk management's appeal to senior management. The President of the largest risk management association, Risk and Insurance Management Society, Inc. recently wrote in an editorial,

> We need to convey risk management's impact on corporate profit and loss statements and its importance to the long-term success and even survival of our organizations. In today's volatile and litigious world, companies must work from the premise that risk management is a bottom-line consideration. (Esenberg 1992, 12)

As a "bottom line" consideration, risk management concerns should be incorporated into business decisions. This idea is central to the Risk Management Ideology, which is detailed in Chapter 5.

The corporation's eye was drawn to insurance when expenditures reached a certain dollar amount or percent of budget. Insurance premiums may rise due to the cost of insurance (related to the insurance cycle), or a change in risk. As one risk manager reflected,

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> I think here it was getting to be too much work for somebody just to do as part of their job. I think that costs were starting to get so- they got higher and higher. Obviously, everything is getting higher and higher. But higher as a percentage of something else, that it started to make sense that you needed somebody in there to control all that stuff. (02)

The insurance cycle affects both the cost of insurance and the availability of certain coverages. The exposure (likelihood of loss) of a company can change due to many factors, including an increase in number of the units covered, whether it is adding more workers to the Workers Compensation exposure or adding more sales or properties to the property or liability insurance coverage.

Changes in the legal environment can also affect exposure to risk. For example, the recent emphasis on asbestos removal can cost thousands of dollars in removal fees, and has increased the cost of insurance for buildings containing asbestos. These increases in the complexity of commercial insurance purchasing constitute what Abbott (1988) calls an "objective foundation" for the professional task of corporate insurance purchasing. Objective criteria have opened a niche to insurance buyers, providing an example of jurisdictional basis for legitimacy. (Abbott points to another example of organizations creating a need for "experts," accountants initially working part-time only on bankruptcies and later increasing to year round work [1988, 101].)

Another legal keystone in the corporation's dependence on risk management is the purchase (or financing) of casualty insurance. The rise of litigation has made the purchase of casualty (liability) insurance an even greater necessity for businesses than fire insurance. Third party liability lawsuits comprise a large part of risk managers' costs and concerns. Like accountants, risk managers derive jurisdiction from an external environment, the economic and legal climate. Risk managers in international companies told me that foreign operations do not need as much direct risk management

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control because people in other countries are not as litigious as Americans. Consider the famous ladder lawsuit (in which someone sued a ladder company because the purchaser erected his ladder on manure, which thawed and the ladder tipped), this suit caused future ladder purchasers to untangle their ladders from a long list of warnings. Frivolous and erroneous lawsuits cost companies millions of dollars each year in legal costs, settlements, and awards. A large uninsured lawsuit could put a company out of business. Therefore, risk managers are of prime importance within the company to insure the current and future exposures, and to notify directors of uninsurable risks.

All of the risk managers studied noted that insurance was made into a separate function in their company when the insurance market was "hard" and/or the company was in a growth period.

> The company went from 11 million in sales to 2 billion in about 5 years. They were acquiring assets and companies rapidly. And then in the early 80's the term "risk management" was being thrown around a lot. They had some vague idea that there was this thing called risk management and they should have it. ...Back then, it was still called the Insurance Department, and I was the Insurance Manager to some people. But there were a lot of things to do. Each company was different. So, I had to work on getting some consistency. Then, it was a pretty tight insurance market, which meant that prices were high. And there were some outstanding claims that hadn't even been settled! It was a mess. But that helped me. Everything that was bad for them was good for me. Because I could show them why they needed me. (10)

This particular risk manager was very lucky because his company had already bought into the idea of risk management via peer pressure, what other companies were doing. The company was convinced of his function's usefulness before it knew what risk management was. The mid 80's were ripe times for risk management, as corporate managers were bemoaning the high

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insurance rates and listening to other companies who used risk managers to lower this expense. Reduction of insurance and related costs can save companies thousands of dollars.

In conclusion, risk management derives authority from its practitioners' command of specialized knowledge. This "fiefdom" cannot be ignored by upper management because it spends so much money. A considerable percentage of the budget, insurance and related expenses are monitored closely in their relationship to the bottom line. As shown in Chapter 4, while the high cost of insurance keeps the function of risk management in the corporation's eye, this is not always good.

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Chapter 4

Evaluation of Risk Management

The previous chapter detailed the basis for a specialized risk management function; detailed insurance knowledge and the high cost of insurance. Once the function has been established, how is it evaluated? Since companies are concerned with the high cost of insurance, the amount of money spent could be used to measure the function's (and the risk manager's) effectiveness. However, the previously noted insurance cycles and unpredictability of accidents and lawsuits interferes with the predictability of results. Lowering the immediate cost of insurance could even cost the company more money in the long term. Therefore, the risk managers feel they should be able to judge their performance themselves as do other professionals.

The Cost Savings Defense

As previously stated, risk managers derive importance from the high cost of insurance. Corporations spend a great deal of money on insurance. Risk managers have to prove the worth of not only insurance coverages, but of the risk management department itself. After all, there was a time before risk management when the company managed to do without such services.

> So, we are constantly proving ourselves to the various segments of the company, whether it be corporate management or the subsidiary management. And that's one of the things we

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> have to do. How we do it is simply by pointing out the exposures, the risks, the fact that when the losses have occurred in the past, we have generally managed to have coverage. Now, with the hard market in '85, it has become harder and harder to have coverage. (29)

For business with particularly risky operations, obtaining insurance coverage is a large part of the risk manager's duties.

Most risk managers justify their corporate existence (and salary) with dollar savings, as these do,

> As it stands right now, I don't do anything with health insurance. I just give an analysis as to what we are saving. And they give that to me every year. And I don't handle it anymore after that first year. We have been self insured for four years and we have saved close to $500,000, even with really bad years. So it turned out very well. (28)

And,

> I think there has been some result to it, because it is the only way you can work your costs down. If our running rate is 20% less than if we didn't have a well controlled function. Make that leap. If you translate that to dollars, it is several million dollars. Which is probably not reasonable to some extent. If I really felt like blowing my own horn, I could go in and say, we are saving you five million dollars a year. By having this department in here, by having it organized, control over what the brokers are doing, being able to establish self insurance programs and other such things. So that you are aggressively managing these programs internal, there would be some validity to it. The numbers are right. (06)

Risk managers who use dollars saved to justify their positions do better when they can point to money saved over a long period of time, since the department may lose money on an individual year basis.

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Often, risk managers cannot point to dollars saved. With rising insurance costs, the amount spent may rise. Risk managers are hard pressed to defend their position with numbers.

> It's very difficult to try to prove something that didn't happen. It's always easier to say, "I brought in a $100 million sale that made the company $5 million." As opposed to saying, "I saved $5 million on the expense side." Sure. It's much harder to prove. (06)

The fact that this risk manager could have spent more money on insurance coverage is not appreciated by his superiors. Every risk manager faces such dilemma when justifying costs once the easily apparent savings of a program disappear. As this risk manager tells, the dollar savings are more difficult to separate from costs,

> X- Now we have a much better program, a much cheaper price and better understanding. Like everywhere, you make big strides the first year, pretty big the second, and every year after that is less and less.
> Interviewer- So how do you prove to management that you are still doing a good job in the later years when you can't show thousands of dollars in savings?
> X- Can you still sell it? It is a tough sell, but you can say if there is no risk manager, you can substantiate that they will lose money. They may save some right away, but sooner or later, a loss will happen that could have been prevented. (11)

Risk managers must defend the position with more than dollar savings. Cost effectiveness alone does not always keep one's job. By acknowledging management's monetary power base, this risk manager has given the corporation legitimacy to use its power base against him.

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Drawbacks of the Defense

If the corporation decides that it can risk losing some future dollars for the sake of saving this person's salary and budget, the risk manager will not have put up a good defense for retention. As this insurance broker notes, a risk managers who are doing their jobs may put themselves out of work,

> I can tell you right now, a lot of companies are looking at their bottom line and saying, "Risk management is somewhat of a luxury." So, we are losing risk managers, or at least some staffing in risk management departments. Because it is not a profit area. They don't look at it as such, but it should be, if they are doing their job in keeping the losses down. (41)

Another risk manager notes the disadvantages to being in a cost center in an organization centered on profit,

> Working in the administration instead of the business side of the business, it is never truly advantageous from a career standpoint. The folks who are out making money get a little bit more attention than those of us who are back here trying to figure out how I can say that I saved money. Or protected against something. I'm spending money and that's a difficult thing to do. (17)

Without hard figures to back up their fiscal contribution to the company, risk managers have a difficult time justifying their expenses once costs have been contained. One former risk manager told me a story about a risk manager he knew who was hired on the condition that he save in premium dollars an amount equal to his salary. Since he could do that easily, he didn't make all of his changes the first year, thereby guaranteeing "proof" of his worth for several years.

As Abbott (1988) notes, efficiency is an increasingly used evaluation tool. As risk managers look to the future, some see more

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conflict with producing better numbers. Companies in the 90's are downsizing, trying to produce more with fewer workers. They are accomplishing this with programs like Total Quality Management, which emphasizes quality and efficiency in every job. In an article outlining skills needed in the future, Daniels said, "The ability to establish goals, objectives and performance standards for risk management departments and other corporate entities is even more important as business plans are formulated" (1991, 25).

Is Risk Management Quantifiable?

One of the main problems with benchmarking is the difficulty in finding appropriate measures of risk management success. As one veteran risk manager said,

> This is one of the problems that I as a risk manager and, I think, my profession has. There isn't anything to benchmark it. And that's one of the things that is literally driving me up a wall. Because my boss has gone through an MBA program, and quality first training and all that. And it's benchmark, benchmark. World class. Best demonstrated practice. TQM [Total Quality Management]. We're walking talking textbooks.
>
> ...my boss says, "Well, use the premium we pay." I say, "Wait a minute. I have no control over the stupidity of insurance company underwriters pricing their product. I can't control that." So he says, "Losses." I say, "Wait. I am a staff person. I can tell operating management that you shouldn't hire alcoholics to drive company cars. But if they do, and they have an accident, I don't have any control over it, so you shouldn't measure me on that." And that is really, I've known risk managers like myself, we're pulling our hair out because we are getting this, What's the best demonstrated practice? Well, that depends.
>
> ... I know in my heart that it's an absolute number that doesn't absolutely tell the truth. You can make up what you want out of the numbers. (01)

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Risk managers have learned about "lies, damn lies and statistics," and are trying to work within their constraints. One of the problems of cyclical insurance costs is that if one takes credit for decreasing insurance costs, then one has to be prepared for increasing costs.

In addition to the inaccuracies of dollar amounts, there is no way to tell how many lives or how much money was saved without using a control group without safety measures (which would open the company up to liability if there was a reasonable chance that safety programs could have prevented the control group's accidents). The following municipal risk manager faces these problems. The number of claims may decrease, but the cost to the company can still rise,

> It is always difficult to describe the unknown. "I did this and something didn't happen. Three people didn't die." It is hard to tell how much money is saved by a particular program. Actually, there aren't too many cities with full time risk managers. I met one risk manager from an LA suburb similar to [ours]. He had 600 employees and his Worker's Compensation [cost] was 1.5 million. And that is the most litigious area in the country. But I have 800 employees at a cost of $300,000. How do you compare? Yes, if you have a history at a company, and all of the sudden you put in a program and everything else stays the same. But even then, you can have just one accident, one incident and one guy is hurt and the days lost from work can skyrocket. (31)

Risk managers can only tell the effects of a new program during the first year or so, when they can compare the losses with the previous year, providing nothing else has been changed. Other people in the corporation have similar problems with responsibilities over areas in which they have little actual control. The higher up in management one is, the further one is from the area in which most of the mistakes are made (Jackall 1988).

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Is the Lowest Priced Insurance the Best?

Dollar savings may not only inaccurately reflect the quality of the risk manager's performance, it may also obscure the quality of the insurance coverage itself. Insurance is one area that the phrase "You get what you pay for" holds true. Buying lower amounts of insurance or fewer coverages could save the company money, but not provide adequate coverage in case of a loss. Similarly, "cheap" insurance companies may be on the verge of insolvency.

Risk managers can decrease their insurance costs by buying lower amounts or different types of insurance coverage. However, there are minimum amounts of coverage that are acceptable, as this risk manager tells,

> I say, "Listen. Don't do business with any of those guys that has less than $5 million." Because otherwise, if you buy it based on just price, you're probably going to get just some fly by night outfit, and you just can't do that. I recommend to my boss not to do that. You've got to protect us. Otherwise, say we do business and they only have $500,000, you've got a Work Comp claim worth $1 million because the guy burned his legs off, or burned his arms off. They're going to come to us. And we're going to have to pay for it. (12)

Of course, since their jobs depend on having appropriate coverages for unknown losses, risk managers are likely to be conservative in their insurance buying judgments.

This risk manager went to great lengths to continue using occurrence forms of liability coverage, which cover all the claims arising out of accidents which occurred during the policy year, as opposed to claims made policies, which only cover claims made during the policy year. ("Claims made" policies do not cover the long tails of claims, and are, therefore, much less expensive than occurrence policies.)

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> We are proud to be able to say this, but even in the hard market, we never went to occurrence policies. It's always been occurrence. Now, we couldn't buy as much limits in '85 and '86 as we had in '82. But we had enough limit on an occurrence basis that we were comfortable with it. And we felt much more comfortable with an occurrence policy than with a claims made policy. So, I think that is where good risk management comes into play. (21)

The risk manager took lower limits (coverage amounts) in order to keep the same type of policy. In his opinion, lower amounts of better coverage is better than being caught short.

Risk managers also have to buy appropriate types of insurance. Superiors, looking at the bottom line may not see a need for coverages which have not been used in the past. As this risk manager said when asked what the worst parts of the job are,

> Being questioned on, "Are we buying the right limit on liability?" I don't know. I mean, if we have a major catastrophe, then, yeah. If we have it. If we never have it, then no. It's too much. But you can't actuarially predict when you will have a $200,000 [loss]. The questioning, the nit-picking. Things like that. (36)

Risk managers have to look into the future and see not just what has happened in the past, but what could happen in the future. The following risk manager looks to other companies' misfortunes to see what could happen to his company,

> Now, in a worst case scenario, in risk management. Say we had a Tylenol situation. Somebody - we have to recall all our product, lose our market share. All these marketing guys are very concerned about losing their space on the grocers' shelves. But Johnson & Johnson was probably an excellent case study in terms of maintaining their market share despite - extortion. We do have insurance coverage for this. It comes at a very high deductible. God forbid we should be subject to some

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> extortionist. But you never know. We need to be protected. If I didn't go out and purchase this coverage and we ran into this situation, I'd be fired. And rightfully so, because I'd be derelict in my responsibilities to the corporation. (12)

Risk managers jobs may depend on having appropriate coverages, so they have an extra incentive to be conservative in their judgments.

Risk managers can also shop around for better prices on the same insurance. The cost of insurance high, but not constant. Commercial insurance rates rise *and fall* in cycles. Insurance companies price their product low to attract customers and gain market share. During this period (called a "soft market"), there is fierce competition between insurance companies to attract business. When the claims start coming in, the companies adjust their rates upward to pay for claims. This practice is called cash flow underwriting. As this risk manager explains,

> Interest rates basically control a lot of businesses. They control the insurance industry. Back in the early 80's, when money markets were paying 13-14%, the Prime rate was way up there, too, you saw a lot of cash flow underwriting, a lot of people in there. Nowadays, the interest rates are way down, and a lot of people have dropped out. You see a lot of poorly run insurance companies going out of business because they're getting burned on the investment side, burned on the underwriting side. (12)

Good insurance companies invest the money they get to pay for later claims. Lower quality insurance companies only attract business when their rates are lower than the competition. When the companies raise their rates to pay for claims, they lose buyers. Without proper investments, insurance companies may not have enough cash to pay claims.

With many ways of lowering the cost of insurance, one might assume that risk managers would buy less insurance or insurance from cheaper companies in order to lower the total cost. However, as

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several risk managers pointed out, they will also be evaluated on the adequacy of coverages in loss situations. Therefore, risk managers balance their desires for lower insurance costs and high quality coverage. Since only a person well versed in risk management could understand this tradeoff, they feel that their superiors (often Finance managers) cannot properly evaluate their performance.

Self Evaluation

The dependence on the corporate frame of reference is proving difficult for risk managers. To fairly evaluate risk management programs, cost efficiency cannot be the only criteria. Risk managers would like to lean on their status as "experts" to set their own criteria for success. As an occupation seeking "professional status," (as detailed in chapter 5), risk managers want to keep their expert knowledge to themselves, the very knowledge that could be used in evaluation of their job performance (Goffman 1967, Witkin 1990).

One of the trademarks of the professions is the members' ability to evaluate themselves. As Hughes said,

> Part of the process is to prove to the lay world that the work done is of such nature that the client is no judge either of what he needs or of what he gets... Both the humble janitor and the proud physician have to protect themselves from the overanxious and importunate client (tenant or patient); both must keep their distance in order not to let any one client interfere with one's duties to others or one's own ongoing program of work and leisure. (1984: 300).

CFO's and other corporate managers who try to evaluate risk managers on a monetary basis alone are only proving their ignorance. (See Becker [1951] for a similar revelation of ignorance by dance musicians' clients.) Anyone who knows risk management

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can tell that the discipline is more than spending less money on insurance. What the corporate client needs is not less money spent on insurance, but money *wisely* spent.

Clients cannot differentiate between good and bad risk management,

> The client is not a true judge of the value of the service he receives; furthermore, the problems and affairs of men are such that the best of professional advice and action will not always solve them. (Hughes 1984, 375)

Only a risk manager would know what constituted "good risk management" because the quality cannot be judged by the financial output (dollars spent). Risk managers would like to convince their superiors that their jobs are non routine enough to qualify as professional, and therefore should be regulated by professional norms and values (Daniels 1971), rather than bureaucratic controls such as rules and procedures (see Jones 1983 for a discussion of the differences between bureaucratic culture and professional culture).

In conclusion, while risk management's visibility is based in its large budget, the effectiveness of the function cannot be measured in dollars. Risk managers point out the many factors which determine the amount of money spent on insurance, some of which are out of their control. As practitioners of a craft-like knowledge, risk managers claim to be the only people qualified to judge the quality of their performance. This claim to professional status is part of the Risk Management Ideology, presented in the next chapter.

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Chapter 5

Risk Management Ideology

Risk management, like many other occupations, is concerned with its image. Risk managers have constructed an ideology that risk management is different from insurance and important to the organization. As Mills (1951) noted, occupations are tied to class, status and power. Risk managers would like to have the status of professionals. While one might think that to say a profession exists is to make it one (Abbott 1988, 81), it all depends on who is saying it is a profession as to whether or not the statement is believed. A profession is separate from and higher than other occupations (Freidson 1986). Corporate acceptance of the ideology would give risk management the stamp of "profession," higher status and a more secure future.

Risk manager positions are presently not too secure. Risk managers are concerned that in times of recession and layoffs, their newly created position may be cut. Of the 27 people I spoke with in 1992 (the worst job market in recent history), 4 mentioned names of people who had been laid off, 6 mentioned cuts in their department, and 3 mentioned redundancies of mergers and acquisitions that required a risk manager to lose a job. The employed risk managers I interviewed think they know why these risk managers' jobs were sacrificed; the risk managers did not do enough to "sell" upper management on the idea (and ideology) of risk management. Twelve of the risk managers whom I spoke with used sales terminology in describing relations with their superiors (a further discussion of sales talk is in Chapter 6). Chapter 3 illustrated risk managers' use of the

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"bottom line" ideology to show why risk management should be given a place in the corporate hierarchy. Risk managers do not want just any place, they want a place at (or near) the top. Toward this end, risk managers seek to avoid connection to the low status jobs of insurance. Risk management has an elevating ideology; that it is more than insurance, and it is important.

More Than Insurance

Risk management is concerned with management's acceptance of an ideology, an "organizing scheme... [which is] the expression and possession of a particular group" (Comaroff and Comaroff 1991, 24), which states first that risk management is more than insurance and second that it is valuable in and of itself. The risk management ideology also includes ideas that risk management is important, even integral to the corporation, and is multidisciplinary, with a high position in the corporation. Risk managers know that they need to work to get respect for their occupation and they actively pursue an agenda of gaining corporate respect by showing their specialized knowledge and how well their field fits into the corporate hierarchy. The ideology is not just rhetoric; the acceptance of the ideology of risk management by corporate America will determine whether risk management will be able to retain its position in the corporate hierarchy. It is a matter of occupational survival.

The answer lies in the ideology of risk management. Note that the insurance buyers have adopted a name for their profession that is separate from (and better than) insurance. Division is a strategy of upwardly mobile groups (Abbott 1988). Risk managers know that the term "insurance" carries a negative connotation, so they have framed their duties in corporation- friendly terms, a type of "management." As Hughes said, "These hedging statements in which people pick the most favorable of several possible names for their

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work implies an audience" (1984, 338). This audience is obviously corporate executives. "Management" is what business is all about. Accompanying the new name is an ideology that says that what they do is *more* than insurance, it is a type of management that belongs in business. Risk management is also an encompassing term that can be used in the acquisition of duties from many departments such as Legal and Human Resources. As this risk manager noted,

> [The previous person's] title was Insurance Manager, and I was made Director of Risk Management. That's a step up in structure, and risk management is a broader term than insurance is. (15)

This risk manager understands that a broad term for his position opens up possibilities for additional job duties.

Though many risk managers were formerly employed by insurance companies, they cast off the word "insurance" from their title in an effort to help the mobility of not only the individual, but of the occupation itself. A risk manager at a Fortune 100 firm explains one reason he enjoys his job,

> One of the things I like about this job is that when people ask me where I work, I can say, [large company] and not [large insurance company]. As soon as you say "insurance" to most people, it seems to turn them off. I think the first thing that comes to mind is life insurance salesman is going to try and sell me a life insurance policy. So, their eyes kind of glaze over. So, I do think that the insurance industry has kind of a tarnished image. (21)

Bruce has acknowledged that while insurance is a part of his job, it is definitely not the most glamorous part of the job. Every occupation has some tasks that are less enjoyable and carry less prestige (Hughes 1984). As Abbott noted, a profession depends partly on the "power and prestige of its academic knowledge" to sustain its jurisdiction (1988, 53). Insurance knowledge and related tasks do

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contribute to the power of risk management, but not to its prestige. Insurance is a dirty word to most people; therefore insurance work is the "dirty work" (Hughes 1984) of risk management. As Hughes said, "An occupation going up in the world is very much tempted to do so by casing off its more menial tasks. As it goes up, it drops off signs of lower status" (1984, 395). Insurance is definitely lower status work.

A mixed benefit of the new term is that it is ambiguous. One can easily tell what an Insurance Manager does by the title. He or she buys insurance. However, a *risk* manager does not have a readily identifiable activity. As previously noted, this ambiguity has allowed risk managers to usurp other areas' responsibilities. However, there are some drawbacks to the ambiguity. The first risk manager at one company tells of some of the confusion caused by the title "Risk Manager,"

> The biggest problem risk managers have is trying to tell people what they do. On this floor, there are people that don't know what I do. I've walked by them every day for five years and they still don't know. And it's very hard to explain what I do. You asked me- protect the company assets- doesn't everybody? There's no clear definition. (18)

The lack of a clear definition may be one reason that many people have not heard of this occupation. Insurance may have a negative connotation, but has the benefits of concrete indications of job content.

Another result of the ambiguity is other occupations' use of the title for themselves. The most prevalent use of the term other than for insurance-related terms is for financial hedging. Banks have "risk managers" who try to minimize the monetary risk of investment loss. Insurance risk managers have caught on that some of the same principles are used in minimizing losses in both cases, and some insurance risk managers think they should claim the

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financial hedging responsibilities as their own. How much "more than insurance" should risk managers take on? One risk management academic has suggested to the discipline that insurance risk managers can also perform investment risk management. None of the risk managers I spoke with thought their duties should include investments. The further risk management moves from insurance, the further it moves from its traditional basis of authority.

The idea of "more than insurance" assumes a good deal of knowledge of insurance mechanisms. Insurance is a specialty knowledge base. "More" than insurance assumes a knowledge of what traditional insurance lacks, what insurance cannot or will not cover. Traditional insurance only pays for claims after they have happened. Risk management tries to eliminate problems *before* they cause losses. One risk manager tells why he thinks risk management is important to the company:

> I think that most large corporations that are serious about risk management realize that the best way to treat a loss is not to have it in the first place. So it you can prevent the loss, or it you have the loss, you can mitigate the loss. A perfect example is a manufacturing plant. There are certain processes that are more hazardous than others. If you can isolate those, you can protect them. You can mitigate it, if a fire does occur, you mitigate its effects. So, instead of having your whole plant burn down, maybe you only have a 10 or 20 thousand dollar loss to some stock in the warehouse because you had in-rack sprinklers that put the fire out. (25)

And another risk manager tells what she thinks sets risk management apart from insurance purchasing,

> An Insurance Buyer is just for purchasing insurance. And doesn't get a chance to do inspections of facilities. They don't get a chance to write up programs that say, Here's the loss prevention sequence that you need to go through. Or, You should put in a disaster recovery program or an emergency

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> evacuation plan. Or don't get involved in the claims aspect on a day to day basis. Or don't have an individual that's doing claims for them. There's no integration. The person that buys the insurance and that's all could almost be an attorney. Because he's going to have to read the insurance contracts, and be very focused on that, and perhaps premium allocation. But you start to pull in some of the other aspects of risk management, they may not have that. (26)

These risk managers have a large base of specialized knowledge. They firmly believe in the worth of their programs and in the savings their programs bring to the company.

Major portions of the risk management ideology are taken from the business "bottom line" ideology. Risk managers acknowledge this basis of authority and consciously use the pervasive influence of cost benefit analysis to enhance their position. Risk management is often defined vaguely as protecting the company's assets. Also, risk managers routinely defend their programs as cost effective, as explained in Chapter 4. Claims are "managed" to reduce loss, claims are prevented through loss prevention programs, and, in some cases, insurance costs are reduced through the creation of a captive (the company's own) insurance company. As one former risk manager said,

> I think the real movement is in loss control. This is where risk management can make a real difference. The way to get higher status is by moving away from conventional insurance vehicles. Like during the captive movement. It was a status symbol, it meant the company was ahead of its time. So I think it's true that risk management tries to distance itself from traditional insurance in order to get greater authority and a better perception by others in the company. ... There is a disturbing trend that we are seeing. A number of people think that financial people are going to take over the name of risk management. Many people are moving toward combining the two. Of course, if you do that, risk management becomes a function of finance (which it may already be). They may lose

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> the prevention function. That's why I think loss control is the most significant area in risk management, it is what sets us apart from finance. You can demonstrate that savings in loss control. (47)

She has integrated the "more than insurance" idea and bottom line savings. She recognizes that cost effectiveness alone will not protect the risk management position from invaders. Only the specialized knowledge can do that.

Importance of Risk Management

Another portion of the risk management ideology is that risk management should have influence in all areas of the company. Risk management took its responsibilities from insurance purchasing and has expanded them into other areas of the company. As one risk manager said,

> Risk management anywhere is not a popular job because you are sticking your nose into other people's business. Most risk management departments have to deal with other disciplines to get the job done because risk management's kind of an overview of the entire corporation. (18)

Since activities of all departments expose the company to risk, risk managers feel they should exert some authority over other departments. This idea supports the components of the ideology that define risk management as important, professional and multidisciplinary.

This risk manager combines many of the preceding ideas very well,

> I don't think there's any real definition of what a risk manager is. A risk manager at one company will be entirely different than a risk manager at another company. I guess in a broad

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> sense, they're there to protect the corporate assets. That's why they're in the Finance Department, generally. But if you're a bean counter, you're not going to know claims or have an appreciation for claims or loss control. So, a good risk manager has to be over many areas. Kind of a multidimensional jack-of-all-trades if he is going to be effective. (18)

Risk managers do more than insurance; they have command of safety and financial knowledge. This knowledge is important to the company because it saves the company money. Therefore, it should be given high status. Risk managers believe their function will become more important in coming years. An article in an industry publication recently said,

> As companies strive to diversify and become players in the global market, risk managers will be able to obtain an even higher level of importance and visibility. Once in the limelight, the range of audiences and communication media accessible to risk managers will grow. (Daniels 1991, 25)

An integrated risk management department will become more involved in business planning, ensuring the department's continued importance.

This part of the ideology is the most important to the survival of the occupation. If risk management is embedded in the company, it cannot easily be removed. If, however, this ideology is not accepted and risk management remains a periphery function, then it can easily be cut once cost effective insurance programs are in place. One risk manager tells of his frustration when upper management does not request his opinion of the risks involved in new activities,

> They [top management] fail to grasp the significance of considering various activities and operations. So, I guess that is a function of the narrow focus of the - but rather why this function should be important. (15)

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He sees the purpose of risk management as a consulting one, a benevolent advisor to other functions. (The role of advisor will be explored in detail in the next chapter.) In his concern with the narrow focus of the company, he is expressing discontent with the restrictions his company has placed on risk management. Risk management should influence every department, according to the risk management ideology. The majority of the risk managers that I spoke with specifically used advisory terminology in describing their function. The task of advising management ties together the ideas of More than Insurance and the Importance of risk management.

Promotion of the Ideology

Risk managers employ two methods of providing empirical support for their ideology. First, they appropriate tasks from others to broaden their occupational authority. Second, risk managers earn certifications and join industry associations to "prove" their legitimacy. This legitimacy support risk management's claim to senior management status.

Task Stealing

Another way to expand the position of risk manager is to use the ideology of "more than insurance" to include others' job responsibilities. Since the job evolved out of a previous position's duties (such as purchasing insurance), there is leeway for the position to include other functions. Once risk managers have their feet in the door, they will try to add to their positions. As one risk manager said in an industry newspaper,

> The fact that responsibility for direct employee contact on claims often lies elsewhere shouldn't deter risk managers from

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> *pushing for a larger role.* ... Even if they are not responsible for workers' compensation, what's to stop them from forging links and sharing information with the department in control? An even more crucial way for risk managers to seize the workers' compensation initiative is to start acting as advocates for injured workers. (Katz 1991, 9, italics added)

This article suggests that risk managers "push," worm their way into other departments' activities in order to wrest some control.

Since risk managers are doing tasks that used to belong to other positions, the question of authority is a key one. As one risk manager said,

> At some places, the risk manager finances the insurance and benefits and Human Resources administers it. It is not necessarily a trend, but it is an issue. The key question is, who has the authority? That's the real issue, because all of risk management jobs fall under everything else. (47)

Does risk management fall above or below other jobs? Risk Management Ideology proclaims it to be above others, and risk managers work hard to convince others of their jurisdiction.

Risk management's position relative to human resources is a critical one. Since human resources has an ideology similar to risk management, the two functions are competing for authority. A recent human resources publication illustrates the similar ideas of this competing discipline,

> Only when decision makers and organizational leaders realize that HRD is sophisticated, complex, and valuable will HRD be perceived as an equal partner with other operational units within the organization. (Gilley and Eggland 1992, 230)

These two disciplines seek confirmation of their deserved status from their organizations. Promotion of one department (Risk Management or Human Resources) over another would be a clear

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sign of relative status in the company, a confirmation of the discipline's ideology.

Professionalization

The primary way of convincing others of the legitimacy of its ideology (that risk management should be positioned above others in the corporate hierarchy) is through presentation of risk management as a profession. "The concept 'profession' in our society is not so much a descriptive term as one of value and prestige " (Hughes 1984, 339). Larson (1977) notes that the description of an occupation as a "profession" elevates it to gentlemanly status. While risk managers, like many of us, are unsure of professional "requirements," they know what signs accompany recognized professions. Displays of legitimacy are shown in ways consistent with the business world: associations and certifications. Associations and certifications show proof of specialized knowledge and legitimacy to outsiders.

Risk managers have a national association, called Risk and Insurance Management Society (RIMS). Membership in the local chapter is an informal norm among the corporate risk managers I studied. Activity in the organization varies, but all of the risk managers I interviewed at least went to the national meetings. Participation in group activities is important to show the status of both the person and the profession. As one risk manager said,

> I think it's very important for risk managers to keep actively involved, not just in organizations, not just to be with peers and to keep abreast of the changes and developments, but to make sure your management is aware that you are actively promoting the professionalism of risk management. I have a boss that is very active in risk management as well. He is a firm believer and a very loyal supporter of risk management. He understands risk management and that goes a long way. (27)

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Participation in RIMS functions was a common way of showing solidarity with the discipline in my sample. People concerned about the discipline as a whole participated in more RIMS activities than people who were primarily concerned with their own individual careers. RIMS is primarily concerned with the advancement of the occupation. A recent RIMS publication stated the society's goal as follows, "The Risk and Insurance Management Society, Inc. (RIMS) is dedicated to the advancement of professionalism in the field of risk management and employee benefits. ... Corporate members include 90% of the top Fortune 1,000 companies" (Official Exhibit Directory 1992, 2).

Another way risk managers show their expertise is through certifications. Occupations routinely attempt to require more schooling in their quests for "professional" ranking (Hughes 1984, Larson 1977). The ARM, or Associate in Risk Management, is the only set of courses strictly for risk management. 20% of risk managers hold this certification. The ARM is the preferred industry designation for people who want industry knowledge without specific reference to the insurance industry. Its focus away from insurance may be the reason why it is favored. One recent survey noted that 54% of risk managers thought the ARM had more status than the tougher, insurance degree of CPCU (Hall 1991).

However, industry people have noted that non industry people do not recognize the degree. An article in Risk Management magazine said,

> [M]any people outside the risk management sphere are confused with the "associate" part of the title. "The courses necessary to reach the ARM are graduate level courses, not undergraduate courses," she says. "Ours is not an associate degree; it's an 'associate in' degree. To the outsider it's very misleading." (Hall 1991, 59)

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The three courses are all pertinent to risk management issues, but most people do not think a degree which consists of three courses is capable of raising one's status.

The other popular industry course is the Chartered Property and Casualty Underwriter (CPCU) designation. This is an insurance industry set of ten courses with sections that include risk management. 22% of risk managers hold this designation.[1] Recently, the coursework of the CPCU has been changed, eliminating the Risk Management course in favor of an Ethics course. This shift may direct more risk managers toward MBA degrees, since these degrees already have legitimacy in other areas of the corporation, unlike risk management and insurance designations.

In a 1991 survey of 65 risk managers, 80% thought an MBA was increasingly important (Hall, 1991). In my study, 13 out of 40 risk managers had an MBA degree. Three people said that they did not want to be tied to the insurance field, and five people felt the business curriculum would give them a broader base of knowledge. In a national survey of 1366 risk managers, the percentage of risk managers with MBA degrees rose consistently with the size of companies (as measured by sales) and the size of the risk management department. ARM and CPCU certification representation declined in the largest third of corporations. Indeed, the MBA may be the degree of choice for risk managers. A marginal occupation, risk managers use corporate symbols like MBAs to advance their goal of professionalism (Chapter 6 has more on risk managers' use of corporate symbols).

Risk managers differ in their opinion of the value of the insurance and risk management coursework. All agree that the courses provide a basic knowledge of insurance and risk management, but some argue that they already have the knowledge.

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1 The number of individuals holding industry designations in 1968 was 2%. Despite the large increase, these designations still have a long way to go before they are necessary to bestow legitimacy on risk management practitioners.

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However, the degrees do something for the profession, they act as a screening device. As one risk manager said,

> I think the CPCU and ARM are good because it gives you basic knowledge. It is also a good indicator of knowledge and dedication. There is no way of knowing if someone knows about risk management, so it's one criteria for a job. Especially if the person hiring doesn't know much about risk management. (19)

At present, risk management is not powerful enough (or populated enough) to keep non-ARM or CPCU degreed people out of the profession, but I have heard rumors that the national RIMS organization has plans for this in the future. They want to make the CPCU degree the "CPA of insurance," as one risk manager told me. Professions are aware of other occupations that are called professions and want the same trappings to call themselves "professionals." People in other industries and occupations know that the most prestigious profession, medicine, has many symbols such as associations, accreditation, schools, and regulation. Therefore, they want some of these outward signs of professionalism, too.

Risk management is similar to accounting, legal and other consulting occupations. While the position within a corporation may be pigeon holed, there is a network for changing companies to move up the occupational "ladder," as will be discussed in Chapter 8. In a thriving city like Chicago, there is a cosmopolitan atmosphere to the hustle and bustle of people changing jobs. The job changers are more committed to the occupation than to the individual company (Sonnenfeld 1989). A high turnover of risk managers may do more than anything to set standards in the occupation. As risk managers learn what predecessors have done, they will see commonalties.

Risk management has not reached the status of profession, at least as it is defined by sociologists. Among the many ways sociology has defined profession is "an exclusive occupational group marketing

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a specialized skill based in some way on esoteric knowledge" (Abbott 1981). While risk management is an occupation with a specialized skill and esoteric knowledge, it is by no means exclusive.[2] While The Society of CPCU has tried to make its degree professional by its length, detail and ethics code, it has failed to corner the even the insurance market. The members are aware of the problem, as shown in this editorial,

> I believe insurance is a profession. But I also believe that insurance is populated by many, many non-professionals, people viewed negatively by most of society. Until we, as professional members of The Society of CPCU, begin to take action to remove the non-professionals from our industry, the public will continue to tar us with the same brush. And we all suffer. (Williams 1988, 3)

People in the Society blame losers for the industry's bad name. They are not directly addressing the fact that some of the "losers" have, in fact, been through their program and carry the CPCU (Chartered Property and Casualty Underwriter) designation. In fact, many savvy insurance people who have learned in the School of Hard Knocks have given the acronym CPCU a new meaning, Can't Produce, Can't Underwrite, reflecting the academic nature of the coursework. One risk manager said, "I see people all the time with those degrees (CPCU and ARM) who either don't know much or are starving" (40). The CPCU, like insurance itself, is neither restrictive nor prestigious.

People in the industry may be comforted by the fact that most people still do not know about insurance and risk management certifications and therefore will not downgrade people with those certifications. In the author's recent survey of classified advertisements for risk managers (presented in chapter 7), only 3 out of 11 risk manager ads specified any industry coursework (one

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[2] The many areas from which risk managers come will be detailed in chapter 7.

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mentioned ARM, one mentioned CPCU, and one - "coursework/ certification").

In conclusion, risk management's entry into the corporate world is a rich example of a marginal group trying to gain acceptance through use of ideology. Risk management's niche in the corporate world opened with the increase in cost and complexity of purchasing commercial insurance. The rising cost of insurance compelled companies, increasingly concerned with the bottom line, to be concerned with managing insurance costs. Risk managers answered the call to lower insurance costs while advancing an ideology of their own. Risk management ideology proposed the idea that risk management is better than insurance. Risk management is more than saving money, although this idea is the basis of its corporate origins. Risk management uses insurance and related fields as its specialized knowledge base while trying to keep some distance between itself and the low status term of "insurance." Risk management departments are competing with other departments for tasks and status within their companies. Finally, risk managers seek legitimation through conscious manipulation of the signs of professional status like associations and accreditations.

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Chapter 6

Creating a Role

Ideas of mobility and status are integral to any position in a corporation, especially so to a new occupation. As a relatively (or even actually, as in the case of First Risk Managers) new position in the organization, it is up to the individual to clarify or even create his or her position. As Hughes said, "[A]n occupation is not merely a bundle of tasks, but a social role, a part one plays in a drama" (1984, 314). The position of risk manager is a precarious one. The position may not ever have existed before, and with the current recessionary cutbacks, it may never exist again. It behooves the risk manager to create a role that will be respected in the organization.

As noted in the previous chapter, the role risk managers would like to create is one of not only insurance expert, but general advisor as well. This image corresponds with the ideology of risk management as "More Than Insurance." Since most people (including the people who hired the first risk manager) do not know exactly what risk management is, the risk manager is free to expand the definition as far as he or she feels will be accepted, including an advisory capacity. The advisory function also encompasses the status desired by risk managers. Abbott defined status as "a quality entailing deference and precedence in interaction, a quality of professional or public honor" (1981, 820). The individual risk manager is given the space to incorporate the role of advisor and usurp duties from other areas by the organization's acceptance of the risk management ideology.

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Since the risk manager cannot readily move up the corporate ladder to the next position (as will be discussed in Chapter 8), he or she makes the Risk Manager position as important in the hierarchy as possible. As one risk manager said, "I think this position is important in and of itself. I don't want to change jobs. You shouldn't have to change jobs to make it better, just convince others of the importance of your position" (49). Risk managers use the corporate system of symbols to make the most of their positions. They learn the language of their companies and try to reflect an image of upper management using titles, dress, and physical space to denote their status of advisor. The effort expended on role elevation is what I call "status work."

The Role of Advisor

What are the duties of an advisor? To persuade, based on expert judgment. Selling others on one's ideas. However, advising is not just sales. There is a fundamentally different relationship between a buyer and seller from an advisor and advisee. The difference is status. An advisor is a salesperson with status, which gets respect from the advisee. The receiver of advice is more likely to listen to an advisor than a salesperson. The advisor has been selected to give advice, and is not soliciting.

One fine line between advising and selling is that advisors do not have an interest in the outcome of a decision. Once advisors give expert testimony, their part is finished. This risk manager clearly shows his advisory concerns, "I only make recommendations to the Board. ... If they listen, then they can disagree if they want to. My job is to make them understand my recommendations" (35). Such disinterested advice links the risk manager to the recognized professions of medicine and the law. Distancing themselves from their clients, they can give impartial direction.

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In a role created within the corporation, risk managers have a difficult time distancing themselves from the results of decisions. As employees, not outside consultants, risk managers have to live with (and clean up after) poor decisions. The distance between advising and selling becomes, at times, minute. This risk manager provides an example,

> Risk management is here to help the company. Risk management should not lead the company, should not make corporate policy. We provide a service, explain the options. It is up to the operating divisions to decide what is right for them. We don't dictate to them what they have to do. That is not our job. Our job is to inform. They should be able to decide based on our information. They should choose what we advise.
> Interviewer- What if they don't choose what you advise?
> X- Then we have failed. We have not presented it well. You see, we lead, but they don't know it. (12)

Beginning with a stated position of *not* leading the company and ending with *disguised* leading, he makes the transition from advising to selling in a few short sentences.

Sellers have stakes in the results of decisions. Every affirmation of their advice also affirms their role as qualified advisors. Therefore, they want to a) give advice, and b) have people take their advice. The higher one's status in the company, the more easily these goals are accomplished. For example,

> I report to the Chief Operating Officer, which is good. In a lot of respects, it has been very advantageous because... it gave me a lot of credibility when I came in because people knew that I reported to him. And people somewhat recognized the importance of it. It was good that they see support from senior management. (16)

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Titles and reporting relationships can pave the way for risk managers, indicating the amount of deference that should be given the position and, thus, the person.

Advising requires a high level position, accessible to (and with decision making power over) other areas of the company. A 1991 survey shows that 96.8% of those who act in the risk manager capacity have the title of "manager" or higher. 40% are members of a top executive/corporate committee (Hall 1991). In my study, 16 people had the title Risk Manager, 21 Director titles, 2 Vice President titles, and one officer.

The people in risk management are well aware of the potency of reporting relationships and titles. In 1991, only 10% of risk managers reported directly to the CEO (RIMS 1992). The ear of management is highly coveted. An article in an industry publication quoted several risk managers' ideas on the subject,

> [The risk manager] "should be a department head who answers directly to the corporation's chief executive," (Barlow, cited in McIlwaine 1991b), and "the risk manager is an adviser rather than an order giver. Therefore, the risk manager must hold a sufficient rank in the organization to engender respect from those he or she is trying to influence" (Warren, cited in McIlwaine 1991b, 32)

A high level management position is part of the risk management ideology.

Titles may mean various things. Two Directors of Risk Management mentioned that titles don't mean much. However, that is easy to say from on top. One Manager-level person said, "I suppose I would like the title of Director of Risk Management, as opposed to Risk Manager, but it doesn't really matter" (36). People work hard for increased benefits. Four risk managers spoke of deliberate actions to elevate their titles from Managers to Directors. One said,

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> I was hired as Risk Manager. Several years ago, the Treasurer who I reported to at the time thought that I should be in the bonus pool. So in order to put me in the bonus pool, they had to reevaluate the position and all of that. ... As far as the job, I am doing the same thing. (01)

A person with a high level titles communicate down the hierarchy than a middle manager can communicate upwards. Increased communication is one benefit of an upper level position. The most easily seen benefit of a better title is more money. Income stands for public recognition (Larson 1977), and inclusion into the select circle of a bonus pool brings further recognition.

A change in titles means more than money. Job titles serve as a means for comparison between workers, a normative order (Bridges and Nelson 1989), and as "literally a value that the company places on one's work" (Witkin 1990, 195). One risk manager tells how he negotiated a rise in the normative order,

> Officially, I have the title of Assistant Treasurer, but I have no Treasury responsibilities. We did that so I would be an officer, to have more authority.... We couldn't have done that at first. Talk about stepping on people's toes. No, you have to gradually work up to it. I had to get some respect first, then we could elevate the position. (10)

The authority of an advisor is tightly coupled with the status of the advisor. Risk managers want both high authority and status.

Selling the Role

In order to gain advisory status, risk managers promote themselves. As one industry article said,

> We limit ourselves because we have not done a good job in explaining what our capabilities are. ... Many risk

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> manager think that senior management does not understand what risk management is. As a result, we [risk managers] need to do a lot to improve our image. (Thayer, quoted in Hall 1991)

Risk managers agree. They use sales and marketing techniques to promote their ideology. As one risk manager said,

> Each day, [the risk manager] needs to get out there and sell this concept. For a couple of reasons. One is, to demonstrate the worth of this. And also to convince people that good risk management is good management. (34)

Risk managers constantly promote their ideology to upper management to reinforce their tenuous positions.

Twelve risk managers interviewed used sales terminology to describe their relations with company personnel. One said, "It used to be that you were more of a buyer of insurance. Now, I think you are more of a seller. I do more selling within my company than I did when I was selling insurance" (37). Another said, "You have to be a salesman. You have to be continually selling your program. You have to get them to look at the big picture. It's an educational process" (40). This risk manager began his ideas with selling terms and changed to "educating," a description of an advisory relationship. The two are intertwined.

Selling activities go on not only at the individual level, but on an occupational level as well. Risk managers are exhorted to use their influence to promote the occupation as a whole. A recent article said,

> Risk managers can promote the discipline in their companies through several methods. If they have not already written a mission statement supporting a corporate vision, they should do so. They should also put together an internal marketing plan and push for what they believe in. Persevere and communicate by encouraging their professional organizations to

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> advocate reform. ... Risk managers can use basic marketing principles to their advantage. ... There are many managers throughout the organization who can be helped and whose success will create allies and build a solid case for risk management. (Friedel 1991, 28)

Risk managers are not the only occupations trying to convince others of their worth. Human Resources Departments are also striving for advisory status. Competing HR members are also advocating marketing their departments within the company. Marketing "is a method of communicating the virtues of HRD to others within the organization" (Gilley and Eggland 1992, 4). All young professions have to aggressively lobby for status.

Symbolic Gestures

Advising is influence work. "Influence work thus becomes a matter of 'image work.' It is first and foremost symbolic activity" (Prus 1989, 24). Risk managers have to create an image to support their role. Artifacts and symbols in common with others in the organization serve to rationalize and legitimate activity (Smircich 1983). Risk managers look and act like other corporate actors in order to identify with their corporations, rather than the insurance industry. People who work in technical positions at insurance companies have a reputation for being "geeks" or "nerds." Risk managers are aware of themselves and how they look to others (Mead 1934). Risk managers are aware of how "insurance people" are perceived, and distance themselves from the insurance image as much as possible. They confirm the corporation as their rightful place, and so reflect on the occupation of risk management and its place.

In creating roles for themselves, risk managers make gestures to others. The realm of physical objects is an obvious but sometimes

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overlooked place to find signs of status. As Gagliardi said, "artifacts can provide a key giving privileged access to the sensory and aesthetic dimensions of corporate life" (1990, 13). In a recent survey of 280 books and articles on corporate culture, only a few noted the symbols used to convey that culture (Berg 1987). Spradley (1979) also encourages us to study artifacts in order to uncover the "tacit assumptions," which, by definition, cannot be questioned.

Artifacts are symbolic signaling devices (Douglas 1982). A more reflexive way to look at artifacts is as performance (Rusted 1990). As in other uses of performance (Conquergood 1989), artifacts may be used to construct power, as part of an act in order to gain the power that the signs signify. A rising profession does well to take advantage of the power to be gained through the manipulation of symbols.

In order to reflect and construct corporate power, the risk manager has to learn the language of corporate life. Corporations can be very different from insurance companies. As one executive recruiter told me, "People at insurance companies don't look like top management. There is a culture gap when they move into a corporation. ... Some people survive that period of adjustment, some don't" (46). Learning about corporate life entails learning its language of symbols. Certifications and associations lend an air of elitism, and an impressive title certainly helps. Risk managers also use the standard, informal signs of persons of importance. Clothes are an obvious symbol of rank in the Navy (Evered 1983). Corporate America has its own "uniforms," used to identify employees' places in the hierarchy. Company floor plans also reveal much about employees' relative status. Indeed, "the particular man-made physical settings in which social interaction tends to occur are not mere containers of social action, they embody socially constructed meanings" (Harris and Lipman 1980, 418). A successful corporate manager learns to read and manipulate symbols.

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Clothes are important symbols of identity, commitment and role (Manning 1980). Like other corporate executives (and would-be executives), risk managers "dress for success." Men may sport the "power tie," and women wear pearls and other accessories, according to the norms of dress in their companies. As Jackall notes, social rules are created and enforced in norms of dress,

> ...the mild taboo against brown suits (brown is dull, a loser's color, winners choose blue); the scorn for polyester suits (strictly lower class, wool is better); the preference for red ties or red on blue (red symbolizes power and authority); the indulgent tolerance of the person who slightly overdresses if this is done tastefully (classy); and the quiet but forceful admonition of the person who does not dress properly or is in some way unkempt. Anyone who is so dull-witted or stubborn that he does not respond to social suggestions and become more presentable is quickly marked as unsuitable for any consideration for advancement. If a person cannot read the most obvious social norms, he will certainly be unable to discern more ambiguous cues (1988, 47)

Business clothing is the costume of the corporate theatre.

Offices can also indicate the relative status of corporate players. The larger the office, the more important the employee. Architects are aware of the symbolic meaning of office spaces (Wineman 1982). As Doxtater said, "in human territorial spaces such as many work settings, the authority of the space comes from communication that the occupying individual or group has and may exercise real social, economic, or political power" (1990, 109). The physical setting of the office is another form of nonverbal communication of relative employee status.

Doxtater has noted that media for corporate status communication can include "carpet thickness, size of office, finishes, artwork, presence of personal secretary, presence of couch, etc." (1990, 117). Survey respondents listed privacy, floor space and style of furnishings as the most prevalent symbols of rank in many

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companies (Harris and Associates 1978. and Konar et al. 1982). The allocation of these items is determined by corporate policy, which is tied to rank within the organization. Hatch's study of large high tech companies found that employees' levels of satisfaction were highly related to office space benefits only when office privacy was not given to all workers. She concludes, "Office designs symbolize status and that symbolic meanings (rather than behavioral effects) dictate the relationship between office design and satisfaction" (1990, 142). An unequal distribution of space leads to competition for the status of private space.

During the course of my study, I found that analysts and assistants to risk managers generally occupy cubicles (areas enclosed by four to six foot walls, without doors), and managers generally had offices with real walls and doors. As one moves up the corporate hierarchy, one has more furniture, and, correspondingly, more space in the office. Many Managers had a pair of chairs facing their desks in addition to the desk and chair set. Directors would often have a small table and more chairs. The most furniture I saw was in one Director's office on the executive floor of his company. He had a pair of chairs facing his desk, four chairs and a table, plus a sofa. An ambiguous occupation would be lost without concrete evidence of its status, if not its substance.

In conclusion, the role of advisor, as a complement to the ideology of risk management, is not automatically given to members of this new occupation. Individual risk managers define the advisor role and market themselves accordingly within their companies. Risk managers learn to use the corporate symbols of success to increase status. One might think that "smoke and mirrors" cannot be as helpful to the risk managers as job performance. As discussed in Chapter 4, numbers of accidents prevented or dollars saved are often difficult to calculate. Without adequate performance measures, risk

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managers depend on impressions of good performances given by social symbols such as dress and office decor.

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Chapter 7

Getting into the Field

Career literature is filled with theories of career choice. The theories include trait and factor theory (Dawis, Lofquist and Weiss 1968a, 1968b), need theory (Roe 1956), psychoanalytic theory (Bordin 1943), structural theory (Holland 1959), and social learning theory (Krumboltz, Mitchell and Jones 1976). All of these models presuppose choice on the part of the individual. Risk management, a fledgling occupation, is seldom a chosen goal of high school and college students. Most students have never heard of it. Only three of my sample of 40 risk managers took any insurance courses in college.

The majority of the risk managers said that they got into the business by accident, not design. Some risk managers saw this position as a natural progression in their insurance career, a step up while making use of their industry knowledge. People from insurance backgrounds define insurance differently than others. Non-insurance risk managers initially saw risk management as a temporary stage in their lifetime career plans. Some of these people changed their minds once in the job, while others still do not see risk management as their occupational goal.

Discovering Risk Management

How did the forty risk managers in my sample end up in risk management? Most people enter the field through jobs in the

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insurance industry. Insurance company employees are the "makers" of the product of insurance. Through interactions with sellers (brokers and agents), insurance company employees find out about the buyers of insurance, risk managers. Risk managers also interact with people from other internal departments, such as Finance, Safety, Operation, Human Resources, and Law. Corporate employees in these departments have opportunities to interact with risk managers and find out about the occupation of risk management in the course of their work.

Insurance Backgrounds

The most popular route to the risk manager position is from insurance-related fields. These are people usually working for an insurance company, usually in claims or underwriting. My sample also includes people from the brokerage side and actuarial work. The area of claims is an obvious component of risk management, since it includes reserving, managing and negotiating claims. Many risk managers spend a great portion of their time on claims-related duties. Companies with large amounts of public exposure, like amusement parks, for instance, have to concentrate on third party liability claims, their largest expense. A claims background gives one a thorough knowledge of claim handling, loss prevention, and loss control.

The second most popular background is through underwriting and brokerage. Underwriters evaluate the risk of a particular exposure for an insurance company and quote a price for which the company will insure that risk. As former underwriters, these risk managers are concerned with exposure (knowing what potential risks are out there), quantifying the risks, and negotiating coverage costs. Since brokers are the middlemen between underwriters and insureds, they are also familiar with the same information. Their

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experience is not as detailed as underwriters, but includes many different insurance companies and also allows them to glimpse into many corporations. Both underwriters and brokers have experience in coverages, pricing, and loss prevention.

The third most prevalent background is a hands-on approach from one of two sources -- safety engineering or company operations. The safety area encompasses many disciplines, from fire safety engineering to OSHA inspection. The former area is primarily concerned with structural safety of buildings, the latter with equipment safety guards and work procedures. Safety "engineers" may have no formal engineering training, but nonetheless hold the catchall name. Safety engineers can come from insurance company backgrounds, working in loss prevention programs, or they can come from companies' internal safety departments. Similarly, operations people can come from any area that is integral to the company, be it manufacturing or sales. Risk managers from these backgrounds have experience in how the company does its work and, therefore, how to spot problems and implement change at the operations level.

Finance Backgrounds

A small but distinct group of risk managers in my study is not from the insurance industry, but from corporate Finance Departments. These risk managers had no previous experience with insurance or risk management. They were recommended for the job because of their ability to handle large amounts of money and the accompanying figures. As one risk manager said,

> It is common for people who have had a lot of time with a company, usually someone from accounting or financial aspect to fall into risk management. Because somebody in senior management decided what they needed was someone called an insurance buyer, and for some reason, they always pick

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> accounting people. They throw an accountant in there who is somehow supposed to grasp the ins and outs of insurance. (26)

Risk managers with accounting or financial backgrounds are primarily concerned with financing risks through self insurance and insurance. They are not generally as involved in claims as risk mangers with claims backgrounds.

When they become risk managers, Finance people generally do not have a good impression or knowledge of the insurance field. If in the job long enough, they might be persuaded to change their minds. Finance people do not plan to go into risk management, but the position opens in their company, and they see risk management as means of promotion to Treasurer or CFO.

> I went to my boss and said, "I don't know anything about insurance, but I want to be Treasurer one day, and I would do it for the experience." He said, "That's nice, I'll get back to you." I was the only one who volunteered for the position. (11)

Some financial people view time spent in risk management as training for future supervisory activities.

Finance people argue with insurance people about which background is better for a risk manager. Each side believes their background is most important. One executive recruiter has changed his allegiance from one side to the other now that he is no longer a risk manager,

> Before I was in risk management, I was in claims management. And I would scratch my head when they would hire some finance person, some snot nosed MBA type, for risk management. I would look askance on it. But, at the end of the day, it is more important to know the finance side. Frankly, insurance ain't rocket science. (46)

This former risk manager now shares the common Finance view that insurance knowledge is more easily picked up on the job than

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financial knowledge. Each background has unique qualifications for the job. Risk managers have to learn both business and insurance to effectively perform their duties.

A Job or a Career?

Many risk managers did not envision themselves in an insurance related career. Even after becoming risk managers, some do not see their new position as part of a career. Hughes defined a career as "the moving perspective in which the person sees his life as a whole and interprets the meaning of his various attributes, actions, and the things that happen to him" (1937, 413). Some risk managers do not see their position as a temporary job, not part of a whole career.

At first, many people view the risk management position as a job, an isolated experience in their quest for the perfect job. As mentioned in the previous section, financial people sometimes view their risk management positions as jobs leading to financial careers. Many risk managers tell of external circumstances that led them into insurance. None of them expressed a burning desire; all of them chose their first insurance jobs for practical reasons. Many had circumstances that required them to get a job quickly. What Lemert (1953) referred to as closure can be seen in these people who chose between the available options to satisfy their short term obligations. Most often, it was the only job offered at the time. This risk manager's story is typical,

> [After the Service] I went out to look for a job in Finance and fell into risk management. I was applying for a lot of positions I had seen in the paper, and this was the first one that offered me a job. I took it. I didn't know much about insurance. (38)

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Many risk managers mentioned personal reasons for going into insurance or risk management jobs. All of them needed a job and chose insurance or risk management as the best of available options.

Risk management may also be a way out of a less promising career. As this Education major said,

> My summer job in college was working in an insurance company. ... And senior year, I went back to college, and I decided I didn't want to teach. ... The person who I was working for in my summer job put me in contact with someone in an insurance company. It's not like I always dreamed of this. (03)

Finding out about risk management gives people an additional career opportunity. Typical undergraduates know of a limited number of occupations. Therefore, one should not be surprised at the number of students who find work outside their major fields of study, as in risk management.

Many theories of career development attempt to explain why certain people went into certain occupations through the use of personality traits, needs, and social learning. Perhaps we need these theories in traditional careers with high entry barriers. People must make a conscious choice and train specifically for these careers. Insurance, on the other hand, has relatively few barriers to entry, and risk management is almost unknown to the general public. The reasons why people get into insurance and risk management are primarily economic; they want jobs.

Risk management can become a career, rather than a just a job, if entrants see opportunity in the field. People from the insurance industry are generally enthusiastic about risk management. Risk management has a higher status and broader scope than insurance. Insurance companies are also notoriously low paying in addition to their low status. People want to get out of insurance but want to

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make use of the time and effort put into learning about the field. As one risk manager said,

> I worked for five years as an underwriter. ... Actually, I wanted to get out of insurance, but I figured that I had put too much time into it, so - I wanted to get into Risk Management. (16)

The broader field of risk management looks very good to an insurance company paper pusher.

Compared to an alienating, compartmentalized job in a large insurance company, the multidisciplinary job of being the only risk manager (and perhaps the entire department) of a corporation can be liberating. An insurance person sees the possibilities in risk management for expansion and special projects.

> It's a very dynamic industry. I don't think that people who aren't in it find it very interesting, but it really does impact every corporation seriously. When I went to [get my MBA], the original intent was to get out of insurance. But I didn't see a way of doing that with 10 years in the field. Starting over in another field is not particularly attractive. So the only way that I could see to do it was to get the credentials to allow me to get into at least a mid- level job in another industry. And I probably would have done that if I hadn't been offered this job. (20)

Once in the field of risk management, people learn the ideology of its importance and deserved status, which is quite different from the insurance industry's poor image.

Many finance people can come to believe the risk management ideology, too. However, some finance people who have long term goals outside risk management do not take the broad view of this position. Most insurance company background risk managers have a broad view of the term "insurance," including in it self insurance, and even loss prevention and loss control. In general, they mean

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"insurance mechanisms." Non-industry risk managers define the term narrowly to mean "the purchase of coverage from insurance companies." As one long time risk manager said,

> I've never used the term [risk management] for this department, this has always been the Insurance Department. It has always been my view that under the rubric of insurance you can do anything you can do under risk management. (29)

Risk managers' background influence their perceptions of the field. People with insurance backgrounds more easily view risk management as a stage in their career, rather than a mere job.

Breaking In

How do professionals break into risk management once they have decided it is an attractive career? With industry experience, one can move straight into a risk manager position through networking, or move into an assistant position in hopes of networking into a manager position after gaining experience. Established risk manager positions may not be advertised to the general public; they are circulated by word of mouth or industry recruiters. Very few jobs are advertised in the newspaper.

Word of mouth was the most common way these risk managers found their jobs. Business associates may know of openings, which is how this risk manager hear about her current position,

> I was told about the position by someone that was at the [company] that the position was vacant. The person just merely suggested that, maybe you should apply. And I said, "Why not?" (33)

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While an assistant to a risk manager, she applied and was accepted for a Risk Manager job. Peers in the insurance and risk management industry are good sources for job information.

Friends can make recommendations to potential employers or recruiters. Several risk managers like this one were approached even though they were not actively looking for a different job,

> I got a phone call one Sunday afternoon from a friend of mine. He said they were looking for somebody, would I be interested in talking to them? I certainly wasn't seeking them out. (05)

Risk managers have connections to many firms through industry associations like the Risk and Insurance Management Society (RIMS). Several risk managers told me that they derived more benefits from associations' networking opportunities than the educational programs.

Friends and former associates can also directly hire risk managers, like this one,

> I was hired by [Company X] by the boss I worked for at [Y]. They were undergoing a change in senior management and had new demands. A change in strategy, a change in philosophy of what was being done at [X]. And he needed a person to implement that. So he chose me. (39)

Granovetter (1974) found that most information resulting in finding a new job came from either the prospective employer or one intermediary. Networking is crucial to find out about jobs or be "tapped" for a job.

Another way companies find applicants is through executive search firms. Corporations pay recruiters, known as "headhunters," to find applicants who fit the qualifications for their position, whether or not they are actively seeking employment. Recruiters network among risk managers in similar firms in search of applicants. Recruiters can find out about applicants' reputations by

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speaking with coworkers and peers. The very fact of employment also serves as a reference. Employed people must be doing a decent job if they are working as risk managers or they would be fired.

Networking also serves as a way to keep out those not already in the market, as one head hunter said,

> I approach people at work. I call them up, tell them about the job (I never try to sell them) and I ask them if they know of anyone who would be interested. I don't talk to unemployed people. I had a company representative who was furious because we sent her someone who was unemployed. Wherever I call, I hear, "They're laying off at ABC Co." But, if that's what they want, then I don't send them anyone unemployed. They could get that with an ad. That's not what they're paying me for.
>
> The people who I'm looking at don't read the classifieds. They read the news, the sports, the travel sections, but they don't have time to look for jobs when they're not interested in leaving. Also, they know that the companies with good positions aren't running ads. Maybe it's because of the tough economic times. (46)

Executive search firms and professional networks yield different applicants than newspaper ads. Executive recruiting keeps the field closed to new members. People within the closed group of risk management are the only ones to hear about new positions. This method of recruiting makes for a very efficient way of elevating only group members, leaving only the very bottom rung of entry level jobs for newcomers who read newspaper ads.

Only two respondents said they heard about the Risk Manager position through newspaper advertisements. In a recent 19 month period, only 11 corporate risk manager positions were advertised in the Chicago Tribune newspaper.[1] Ten of the positions were lower

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[1] The author surveyed the classified section of the Sunday edition of the Chicago Tribune during the period 3/1/91-10/1/92. The Chicago Tribune has

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level risk manager positions, requiring only 2-5 years of experience. These companies may not have been experienced in the hiring of risk managers, and thus may not have known about the other search avenues. Only one of the people interviewed in this study found out about a Risk Manager position through a newspaper ad.

Because of the relatively high status of risk management in general and Risk Manager positions in specific, jobs do not even have to be advertised.

> My former boss was with [Company X], and I mentioned to him that I was thinking about getting into the job market, looking for something. ... They designed the position and brought me in at the holding company level, where it is now. It was basically being in the right place at the right time, having the right credentials and knowing the right person. (36)

Companies want to know more about applicants than resume information. They rely on personal referrals to fill important positions, such as the first risk manager in a company. (The process of hiring a First Risk Manager will be detailed in Chapter 8.)

At the present time, risk manager positions are few. The many people who want to get into the field are constricted by the limited number of positions at any one corporation and the recessionary economy. As this risk manager said,

> The risk management profession is not necessarily easy to get into on the corporate side. The corporate risk management departments are very small. ... What you tend to find, is it will be a one person risk management position. That person will tend to stay there for virtually their whole career. So, literally, you see, as in the case here, the risk manager dies or retires to open the position.... And it's kind of compounded by the economy today. There are more and more cutbacks. My first position on the corporate side, I went in and they had what I

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the most want ads in the Chicago area. Duplicates of the same ad in a short time period were counted as one advertisement.

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> considered for a large corporation, a perfect risk management department with four professionals. By the time I left there, there were only two of us. So, they tend to be cutting back as opposed to adding.
> Interviewer- I haven't seen a lot of ads for risk managers.
> X- There really aren't, and what I mentioned before, this position wasn't even advertised. And I understand they had six inches or so thick of resumes just through strictly word of mouth. They didn't have to advertise. (13)

Lean times for risk managers mean a large supply of available talent. At the present time, corporations do not have to "beat the bushes" for applicants. A few well-placed words can eliminate the need for companies to spend money on recruiters or ads.

In conclusion, risk managers do not usually choose risk management as their ideal career. Most people "discover" the field through insurance or financial backgrounds. People often enter the field for economic, rather than psychological, reasons. Once in the "job" of risk manager, many people decide to make their career in the field. As will be discussed in the next chapter, careers in risk management often include moving from one company to another. While some job opportunities are advertised in newspapers, most opportunities are circulated by recruiters and word of mouth. An Insurance or Finance person may accidentally stumble onto a risk management job, but find an entire career.

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Chapter 8

Moving Up

Once in the field of risk management, how does one progress? Risk management careers are organized into internal labor markets (ILMs), both within and between firms. Much of the current research employs a narrow view of ILMs, as strictly within company job ladders. Doeringer and Piore (1971, 1985) have a broader view. They state plainly, "The internal labor market is defined by an enterprise, or a part of an enterprise, or by a craft or professional community. Entry into such markets is limited to particular jobs or ports of entry" (Doeringer and Piore 1985, x). (Further distinctions between Doeringer and Piore's original ILM work and common usage can be found in Althauser and Kalleberg 1981.) While some studies focus on economic sectors to explain mobility, findings are not consistent. Jacobs and Breiger (1988) found that occupational effects are stronger than industry effects on mobility. The occupation of risk management illustrates two subtypes of ILMs, Firm Internal Labor Markets (FILMs) and Occupation Internal Labor Markets (OILMs) (Althauser and Kalleberg 1981). Risk management is in the process of shifting from FILMs to OILMs as it becomes a recognized profession. Incumbent risk managers restrict entry into the field once they secure decision making positions in the company.

Firm Internal Labor Markets

Some companies with well-developed risk management

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departments have a ready pool of future risk managers. The larger firms have had risk management departments for a long time. They generally have significant loss exposures, which entail constant monitoring. Sonnenfeld calls these firms "academies," such as IBM, who "make" rather than "buy" their talent. These are typified by the Organization Man (Whyte 1956), one who works his or her way up the corporate ladder within one company. Nancy, one such vertically moving risk manager, described her career up the risk management ladder,

> At the time, I was supervising a large clerical department, going to [college] at night. [I wanted to leave] So they said, there's a job in the Insurance Department. ... They gave me the job of Insurance Analyst. ... Eventually, I was the Risk Manager. (04)

Nancy's path typifies the FLIM, moving into risk management from a financial area, becoming an assistant, then a risk manager.

People in academies have competition from outside the company for positions, but have few openings in their internal labor market. Therefore, academies are "the bane of the executive recruiting industry" (Sonnenfeld 1989, 216). Academies allow newcomers at the lowest level, who work their way up, in competition with others. The "tournament" model only applies to departments large enough to foster internal competition. Three of the 33 risk management departments that were not municipalities or municipal related had 5 or more professional positions in addition to the top risk manager. The national average is 3.05 professional positions per department, including the risk managers (RIMS 1992). (The risk managers I studied had an average of 1.8 assistants.) One risk manager I spoke with said he "might want to do something more [after this job]. Like a McDonalds or a Hyatt. But they probably have a whole department of people waiting in line for that job" (13). Risk

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managers recognize that they are not likely to break into large, established departments.

Large departments can support what is commonly called a "job ladder." This visual metaphor suggests one route to the top position. In addition to only one route to the top, the ladder metaphor implies that one can only move up or down. There is no possibility for lateral movement. In fact, very few jobs have such limited directions. Green (1986) surveyed major employers of computer personnel and found that even this specific field contained multiple career paths. The ladder model does not adequately explain many career patterns (Rosenbaum 1990). In the case of risk management, there is a progression of jobs within the occupation, as shown in Exhibit 4. The FILM progression yields the two "ladders" shown in this exhibit. However, risk managers can also elevate their positions by changing companies (using Occupational Internal Labor Markets), detailed in the next section and Exhibit 5. The FILM and OILM career paths are combined in Exhibit 6. Like other occupations, risk management is not limited to single dimension "ladders." On the contrary, their careers resemble webs, rather than ladders.

Of the 33 risk management departments, I found 19 people hired from outside the company and 14 internal hires. When I asked my respondents why their particular company chose to advance from within, they gave me several reasons. One said that her company could not afford the salaries of people already trained, and so preferred to make, rather than buy, talent. Another said that his firm valued company specific knowledge more than occupation knowledge. This attitude is similar to a third, who said that her small, privately held company rarely hires from outside other than at the entry level. I was intrigued with the idea of private versus public holding of companies, since the size of the firm had no relation to my sample of internal versus external hires. Pfeffer and Cohen (1984) similarly found no correlation between company size and ILMs.

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The hypothesis is that private companies are less receptive to hiring managers from outside the company than publicly held companies. Three of the four First Risk Managers (those who are the first to occupy the position at the company) in privately held companies were internal hires. The fourth company hired its first risk manager during a period of great expansion, which may account for going outside the company. My analysis of this information is that the hypothesis of private companies favoring internal hiring practices and public companies favoring external hires (at this level) holds true for the hiring of First Risk Managers. Privately held companies may well value company specific information over industry knowledge. Enterprise-specific skills are one of the determining factors in ILMs (Doeringer and Piore 1971).

Once risk managers are in place, then what? Within their organization, they are at the end of a short career path, like many specialists (Baron, Davis-Blake, and Bielby 1986). They may be perfectly happy to stay where they are, or they can try to use their position to advance within the corporate hierarchy. (Exhibit 4 shows the FILM career path for risk managers.) Driver (1979) differentiates between people who are not interested in moving up, called "steady-staters," and "linears," those interested in moving upward. One steady-stater tells why he stayed in the same position at the same company for so long,

> When I got into the Insurance Department, I found a home. Differing from others in this work, once I got into it, I never wanted to be anything else. Many people 10 years ago in risk management wanted to be Assistant Treasurers, or financial officers. ... But when I got into this work, I found the challenge fascinating. I have been doing this for over 25 years, and I have never been bored. (29)

For those who prefer to become an expert, staying at one company is a good choice. On the other hand, better titles tempt some risk managers.

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> It will take a while to get used to being a risk manager and get good at it. Then, I don't know. Maybe I will be comfortable here and want to make a career here. Or go more into the Treasury side with my MBA. But the reason I got into this is because it was more interesting than just financial. So I think I'll stay in risk management. (13)

This young risk manager is still new to his first risk manager position and is already thinking of the places his new job might take him in the company.

In one survey (Hall 1991), risk managers saw themselves moving into the following positions: financial management -- 22%, general management -- 38%, human resources -- 3%, and 37% uncertain. "In the past, many risk managers shared their bosses' view that risk management was not a career path or a profession." (Hall 1991, 58) In that survey, 86% of risk managers thought risk management's career was positive. These are new signs that the FILM can be a viable career path for a risk manager.

In the past, it was generally acknowledged that the top risk management position was as far as one could go at one company. However, today's risk managers are trying to chart their own courses on corporate seas. This risk manager is optimistic,

> I see myself more as a manager than a technician. So, number one, if I do that job, as opposed to being a technician, maybe I'll get visibility. Number one. Number two, I think it is my personal responsibility to talk to my boss about what I want to do for the rest of my life. And get responses that I can live with and that fit my career goals. (39)

While a few risk managers take full charge of their careers, most risk managers are not trying to pioneer corporate paths. This risk manager recognizes that in order to establish a new job path, he must have political support from key players,

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When people talk about a glass ceiling, maybe there is one for everyone. It all depends on the senior management level. At some companies, there is a ceiling, at others, there seems to be no limit. I applied for the position of risk manager in [the corporate office]. So did the [other subsidiary] risk manager. But they decided to hire someone from the outside.

J- Do you think you could ever become CFO?

X- I have talked about career paths with my boss, but that has not come up. I think I still could. But I need a champion, a mentor. I have lost that in the Finance area. I don't know anyone over there anymore that would put my name up. I haven't been in Finance for a while. But this is a good job for it, because I touch on all divisions, all levels. Once I wanted to be a product controller, they are over there, in charge of one specific area. When I first got here, I was not interested in staying in risk management. But I find it fun, interesting. There is always something new. It is not boring or so routine that you do the same thing every day. (07)

This risk manager has figured that the fight to keep moving up will be a tough one. He may not want to fight this battle without support.

Human resources people have similar aspirations. One writer predicts human resources staff will soon be core members of the strategic planning groups of their companies and may even be appointed to Boards of Directors (Desatnick 1979). (I have not heard of any instances of this elevation.) I heard many risk managers indicate that the move to upper management was possible from the Risk Management Department, but I didn't hear anyone mention any names of actual people who had made the jump. Perhaps this is one hurdle yet to be crossed in the FLIM of risk management.

Occupational Internal Labor Markets

Although new paths of promotion within the company are theoretically possible, most risk managers work within the confines

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of the position. The top risk manager position is the peak of the risk management career path in most companies. The ceiling may be "glass" to risk managers, but "concrete" to upper management. In order to get a better position, risk managers look outside the firm. They participate in labor markets composed of craftspeople or professionals. Participation in this type of labor market reinforces the professional ideology, one in which only properly indoctrinated people are capable of performing the specialized function.

As in Becker's study of schoolteachers, risk managers move up in status by seeking the same position in a more pleasing organization. "All positions at one level of a work hierarchy, while theoretically identical, may not be equally rewarding places in which to work," (Becker 1952, 470). For instance, this risk manager chose to change companies in order to have more challenge in his work,

> In June, 19XX, I interviewed with [Company X]. They were a bigger company, with more complex risks. The guy at X approached me and said there was a position open, and if I was interested, I should give this guy a call. I had gone about as far as I could go at [Company Y]. I was looking for something else. I had another offer at the same time. That is a nice position to be in. I thought [X] had a larger profile, and [the industry] was something I hadn't done. (38)

Similar positions in other organizations can be quite different in an emerging occupation. The status of the company may determine salaries, as in other occupations (Spilerman 1977). Risk managers also negotiate a great deal of their duties and status. Therefore, the work environment is of critical importance.

Changing companies does not make for a "disorganized" career (Wilensky 1961). On the contrary, risk managers have predictable careers moving from firm to firm. In Becker's spatial metaphor, these are the characteristics of a horizontal career, as opposed the vertical mobility within one organization. What makes this career horizontal is the scarcity of vertical opportunities. "In order for a

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risk manager to move on, not only financially, but in stature, they are almost forced to make a move," said one risk manager (27). If there is no way to go up, then workers are forced to move out to find the best position they can. (Exhibit 5 shows the OILM [horizontal] career path. Workers can change companies at every move along the chain.) When I asked one risk manager how to tell who is a good risk manager, he said, "Maybe a person's progress from a smaller company to a larger company. The fact that they are making a job change, or a company change, makes it sound like they've got some skills that are marketable" (05). Changing companies is a sign of status in OILM careers.

For many, being a risk manager is the culmination of a career. Moving on to virtually the same job in a larger corporation has become the trend, as opposed to being promoted to an executive position. Even Nancy, who worked her way up to Risk Manager in the FILM, changed companies to become a risk manager elsewhere. It is likely that the risk manager will be replaced with someone from the outside or someone with the same insurance background who is promoted, starting the cycle over. High OILM turnover creates vacancy chains (White 1970) throughout the system. The higher the status of the original vacant position, the more vacancy moves it will generate, as each position is filled with someone who gains a small increment of status from the move. Risk managers stop moving when someone from outside the risk manager position takes a job, such as an assistant. The assistant's job is then filled, closing the chain.

Like many other professional experts, such as lawyers, CPAs, and consultants, risk managers belong to an Occupational Internal Labor Market of like professionals. They find out about job openings and are hired through these networks of professionals and executive search firms. Sonnenfeld refers to this type of OILM career system as a "baseball team," which "rel[ies] upon skilled, individual performers with transferable talents that can be taken to other

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teams. An elaborate infrastructure of agents and scouts exists to facilitate the exchange of performers" (1989, 215). Workers and employers prefer personal information about future companies and colleagues, especially for management jobs (Granovetter 1974).

This type of OILM can be seen in hiring practices of FRMs and other RMs. All seven of the externally hired First Risk Managers heard about the jobs through personal contacts. Some heard about the jobs through friends, some through business colleagues. Two FRMs heard through brokers, who have many contacts in the industry. As one such FRM said,

> [Brokers] know everybody. They know where the jobs are before they are in the papers. Even better, they know the management. I think it's better to have someone you know tell you about someone than just get a resume. (04)

Even the recruiters and headhunters rely on personal contacts to generate their list of potential candidates. One FRM told me how he thought his name came up, "I assume somewhere one of the lawyers or someone that I had worked with told an executive recruiter" (30). This method of tapping individuals for jobs ignores whether or not they are actively seeking a new position. Granovetter (1974) found that 89% of professional, technical and managerial workers surveyed had no period of unemployment. In fact, 30% of the jobs taken by his respondents were newly created positions, such as FRM.

Risk managers who have held risk management positions in other firms are likely to know many more people in the industry. As Granovetter noted,

> It is because ties from past jobs and from before work are as likely to be used as more recent ones that we have a cumulative effect, as if individuals "stockpile" their contacts. If only strong or recent ties mediated mobility, this could not be true, but since relatively weak ones may be crucial, working on

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> a job for two or three years may be sufficient to build a tie that will later be useful. (1974, 85)

Once someone has broken into the field, one has more and more access to other jobs in the industry as one forges (strong and weak [Granovetter 1973]) ties. This web of contacts facilitates movement within the risk management career "web" within and among organizations.

In the previous section, I noted the different hiring practices of FRMs between privately held companies and publicly held companies. The difference in hiring practices between public and private companies disappears after the first risk manager is hired. Of the Subsequent Risk Managers, 11 were hired internally, 12 hired through the external market. All of the internal hires were the number two person in the department before promotion to risk manager. (In 3 of the companies, 2 private and 1 public, the assistant was hired for the specific purpose of replacing the incumbent in the near future.) In the group of 12 external hires, all had experience in risk management, 9 as risk managers, 2 as #2 people, and one as a RM consultant.

The marked difference between hiring practices of First Risk Managers and Subsequent Risk Managers points to the qualitative difference between being a pioneer and filling a previously held vacancy. Companies may not know much about risk management when they hire their FRM. They do not know enough to look for industry qualifications. Therefore, they hire individual people through referrals, not resumes. Especially privately held companies who primarily desire firm specific knowledge. However, both types of companies subsequently hire from the external market. At this point, the incumbent risk manager has some influence on the management. He or she has promoted risk management as an expert profession, which should only be handled by professionals. The risk management ideology says risk managers should be trained in the

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risk management department or hired from the external labor pool of risk managers.

The "out-rather than up" movement of risk managers is seen by some industry professionals as a contributor to the entrenched view of risk management as a low- to mid-level function with primary responsibility for buying and managing the company's insurance (Friedel 1991, 23). On the contrary, limited entry can offer legitimation to a career ladder (Althauser and Kalleberg 1981). Risk managers have done a good job in selling their knowledge and services as expert by the way they have excluded outsiders from labor competition. This is part of the professionalization project (Larson 1977). A new profession goes through this process of excluding others from its labor market.

In order to complete the process, risk managers need to make their ideology so well known as to keep all hires within the OILM. Risk managers have had some success, as shown by this study. Two out of the ten First Risk Managers had previously held Risk Manager positions in other companies. (See Exhibit 6 for the combined FILM and OILM career path of risk management. The horizontal and vertical axes describe the respective career paths.) Their new companies had already bought into the ideology of risk management before the FRMs were hired. The goal of complete occupational control over the labor market could be achieved if employers consulted with a risk management association (like RIMS) in employment decisions. The American Library Association personnel standards have thus adopted by many large employers (Reeves, 1980). Perhaps with stronger accrediting requirements and a unified association, risk management could wield similar occupational control.

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Chapter 9

Women in Risk Management

The proportion of female managers in corporate America has increased greatly in the past 20 years. Indeed, the number of women in management accounts for one-quarter of the decline in occupational sex segregation since 1970 (Jacobs 1992). Women,[1] although still a minority, have also increased their participation in risk management. A 1991 risk management survey reported that 24% of all risk managers are women, up from 20% reported in 1990 (Logic 1989). Risk management is not a "macho" occupation, the job does not depend on physical strength or knowledge traditionally associated with men. Neither little girls nor little boys learn about insurance, so it is relatively gender neutral. Unlike some professions, like engineering (Robinson and McIlwee 1991), there is no culture of insurance that excludes women.

Some men, particularly older men in this study, think women have proclivities toward certain abilities, such as emotion work or detail work. While they feel they are complimenting women, such attitudes reinforce the notion that women are different from men and have different capabilities. Women have noticed that they are being singled out for attention. Their behaviors are sometimes held to different standards than men's behavior. Men's perceptions of women as different from themselves has structural effects, not just in individual interactions, but in women's chances for promotion.

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1 In this paper, the term "women" will refer to white women. My sample only included one woman of color, which is not enough to represent the minority point of view.

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These perceptions result in lower pay for women and in their having to prove themselves before being hired. As a result, women occupy the lower end of the pyramid of risk management. Women have adapted to the discrimination by emphasizing "male" gender traits and limiting family duties. Women in risk management are thus in situations similar to women in other occupations -- at the bottom.

Attitudes about Women

The ideas that inform gender discrimination are attitudes about women. Some men view women as having special, innate abilities for certain work. Ascription of certain capabilities to a whole category of people illustrates a perception of the group as monolithic, stereotyping the entire group with features of certain individuals. Women find out about stereotypical ideas through interactions which discriminate against them on the basis of gender. Though subtle and few, small actions and gestures can have a serious impact on the women in risk management -- and their careers.

Stereotypes

Women are subject to stereotyping in the business world. Men often view women as "other," different from themselves. An important aspect of viewing a group of people as different from one's own group is definition of that group as a single entity. According to Blumer, an "important aspect of the process of group definition is that it is necessarily concerned with *an abstract image* of the subordinate racial group" (1958, 6, italics in original). His point applies equally well to sexism. Some men have created abstract images of what "women" are, that all women have the same qualities. Younger men and women in the sample did not make generalizations

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about "women," which indicates that age is an important factor in sexist attitudes. (At least, women and younger men are more sensitive, and do not talk about such attitudes to a woman.)

As one male veteran of 20 years in the business said to explain why "women" are good in this field,

> At one time, I did all the benefits, too. And what I wanted always was a claims person who was sympathetic. Because everybody they talk to has a problem. And if they could do something- I wanted some mothering. I wanted sympathy, empathy. Because I don't want the person at the other end to be disabused. That comes at a different stage of the game, if there's a determination that it's not valid. It's a good field for them [women]. There are differences. Psychological differences, perceptual differences. That's just the way nature is, and I say vive la difference. That tendency to be empathic, to be understanding is very, very important. (09)

Women have traditionally been given the "emotion work" (Hochschild 1983) of managing the feelings of others, relieving men of the necessity for sensitivity.

Another man said, "I find (maybe this is sexist) that women are very good at details. And this is very detailed work" (29). Another man echoed the comment,

> [Women] tend to be, unlike a lot of the men, very detail oriented. ... Many of my peers that are men don't like a lot of detail. They like the big picture. But women are very good at the detail stuff. (14)

These men perceive women as a monolithic group, referring to women as a single unit. They each defended their accounts with an admission of guilt, one in the quote above, the other in previous statements. Yet, they show no sign that they will change their behavior or attitudes with the knowledge of their sexism.

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These three risk managers, in addition to one other male risk manager who referred to women as "gals" were 4 of the 5 men in the category of risk managers over the age of 55. Younger men referred to individual women by title (the risk manager at ABC Company) or name. They also referred to specific groups of women in response to my questions about women in risk management. One man said, "In my experience, the women are very capable and strong. Stronger sometimes than the men" (07). By qualifying his remarks with "in my experience" and "stronger sometimes," he is allowing for different behaviors within the category of "women."

Women also referred to specific women or groups of women. Four women did say that women "tend to" do certain things, but were hesitant to label women as a whole. For instance, one woman said,

> [Why is this a good job for women?] I don't know. Maybe in the sense that it takes a good deal of organization. I don't know if I want to stereotype women and say that they're more organized or not. I think it's a good field. I think it is an expanding field, and for that reason, I think it is a good field for women. (02)

Women and younger men are more careful than older men not to look at women as one group. The outcomes of stereotyping will be addressed in later sections of this chapter.

Perceptions of Discrimination

None of the women mentioned overt sexual harassment like sexual jokes or touches. All of the women said that they are *usually* treated the same as men. However, four women mentioned specific incidents of sexism. Like Essed's (1991) study of "everyday racism," women are discriminated by the omissions of men - not being

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included in conversations, not invited to sporting events. Little things. As one woman said about this subtle harassment,

> I hesitate [to tell my boss] sometimes, simply because I do not want to be considered a difficult person to get along with. So many times, the incidents are so petty taken out of context. Within the context, you know the message that they are delivering. But take out of context, they can appear to be fairly petty. It's just not worth it.
>
> And if I think I have been offended, I try to address that with the person, not at that time, but going forward. For example, you know the deal, "take the guys out to the ball game" type of thing. And "Of course, Susan, you wouldn't be interested." I'm likely to say, "Well, on the contrary, I am." And then, the next time I speak with that individual, to make a point of mentioning that one of my other brokers has taken me to a Bulls game or a Bears game or whatever so that they do get the message. That's been very successful. But there is a lot of that out there. There is, and I think that only - you can't legislate changes there. In my opinion, you can't force people to change their behavior. You can't legislate that. You can force people to change their behavior in the way they deal with you one on one by what you will accept and you won't accept. (17)

This woman sees discrimination as action by individuals, not systemic oppression. She advocates individual action by women to combat discrimination.

One of the men agrees that discriminating behavior is an individual problem. Using his wife's experience as an example, he said,

> When she was younger, there were some problems. She used to tell me about them. She was a manager. The problems were with individuals, not an overall attitude. There are certain people who discriminate, whether it is race or sex. There are just some people like that. They don't do it as much today, and

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> they can't. With the programs in place, laws in place, sexual harassment, things like that. (23)

Neither of these people mentioned that companies are run and policies are made by individuals.

As tokens, women are often carefully watched (Kanter 1977). One woman said, "I think a woman has to be three times as good as a man" (32). Being a token gives pressure to succeed. Another woman talks about having to be better than the guys because she is closely scrutinized.

> When there are social events, especially, they are always waiting to see if I am going to be putting a lampshade on my head or take my clothes off. A lot of jokes are made if I have more than one glass of wine, that kind of thing. (19)

If a woman chooses to bring her husband to a social event, she runs the risk of people coming up to *him* and talking shop. One might think that women would not want to be at social events if they are not welcome or will be scrutinized, but it is not a choice for the successful businesswoman. Socializing is a very large part of doing business. Things have not changed much since 100 years ago, when women scientists tried to break into male scientific social events including "smokers" (Rossiter 1982). In this business, the socializing is usually related to sporting events. When I asked a female broker if she got the chance to entertain clients (who are mostly women), she said, "Yes, except for golf. I don't play [golf], whereas most of the men do. I don't see where they get the time to play" (41). Men are doing business while "playing," and a lack of interest in sports is a hindrance for women. The lack of ability to socialize at sporting events has held back females in insurance sales work (McLean 1978), as it may be doing to the broker mentioned, who noted that female brokers in her firm handle smaller accounts than male brokers.

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One male risk manager noted the importance of socializing. He volunteered that people in insurance and risk management are aware of women's concerns and have taken steps designed to include more people.

> One thing that's changed a lot over the last 20 years is the professionalism. Back then, it used to be a good old boy's club. The conventions were wild and woolly. Now it is more professional. We don't get gifts now, maybe a little thing with a [firm's] name on it. That sort of thing. There is the once a year golf outing, and that's about it. You know, that golf reinforces the - how many women play golf? A few. And minorities? It is still a white male dominated area. But they are starting to have some new outings, like [at the racetrack]. Because they don't want to exclude people that don't golf. (38)

He acknowledges that in the past, risk management was a "good old boy's club." The changes benefit women and minorities, but white men also benefit by an increase in stature through professionalization.

Structural Differences

The consequences of viewing women as inherently different from men in their abilities to perform job duties are discrimination in hiring, salary and position in the company. Stereotypes about women as a group mean that women do not have to be compared with men in terms of these factors, just compared to other women, in this or other occupations. In those terms, women are doing very well. Seven male risk managers noted structural barriers to women's employment at some companies.[2] Some feel it is the size of the company, the specific industry, or management philosophy.

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[2] It is interesting to note that these men were age 40-50. None of the older men mentioned discrimination against women.

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All of these factors are good predictors of discrimination, although none of them is perfect. For instance, the first female risk manager was recently inducted into a prestigious inner circle of top Chicago risk managers. As one man said, "I don't think there are any [women] in the larger companies in the Chicago area, except [one]. It is still a white male dominated business" (06). Also, there are a few female risk managers in construction and manufacturing companies. Neither of these measures is a perfect predictor, but overall, women are found in certain size companies in certain industries. Management attitudes are difficult to measure, but have a large impact on women's status in companies. Eight people (4 men, 4 women) volunteered the information that their company had specific policies encouraging hiring women.

Hiring

Stereotypes about what kinds of work a woman will be able to do restrict women to certain sizes of companies, and certain industries. While there are a few notable exceptions to each of these areas, they are generally true. Men are more likely to be managers in larger organizations than women (Jacobs 1992). Only 2% of 1366 nationally surveyed companies with over $7 billion in annual sales employed a female risk manager (Logic 1989). As one executive recruiter was quoted as saying, "A risk manager at a Fortune 50 company has control of $50 million to $70 million in premiums. Some companies may not feel comfortable handing that over to a woman executive" (Citron, quoted in Wojcik 1992).

Size of company was most often mentioned by risk managers as a way of discriminating against women. As this woman said,

> They had a position open not long ago at [large company] and they would not interview with female risk managers. They wanted the male look at [Company]. And there are some very

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> large companies out there that still feel that way. That the male can do a better job, or maybe be more presentable. Who knows what their rationale is. (28)

A risk management position in a large company is the culmination of a risk manager's horizontal career. With many applicants for their prestigious positions, large companies can be very choosy about their employees.

Women are also openly discriminated against in hiring in some industries. As one risk manager in a male-dominated industry said,

> A female risk manager would not work in this company. Even now. There is no way we could send a woman to the plant and ask the plant manager to respect or respond to a woman. (10)

A woman in this position is assumed not to be capable of doing the job of communicating to plant operations personnel, however, the risk manager has no concrete examples to back up his assertion. The assumption that other men would not accept a woman gives him a handy excuse. While he says he himself is not prejudiced, others are. He sees discrimination as so pervasive that it cannot be changed. Indeed, without senior management support, it cannot begin to change.

Different corporate cultures can illuminate the possibilities for change. One risk manager who hired a female assistant in one of the male-dominated industries saw male industry prejudice up close,

> I think that she initially, when she would go out to the field and deal with plant managers, there was a certain bias because she was a woman. She is extremely capable, and she's been able to - Once they see that she knows what she is doing, she's very well accepted. ... I think there are certain industries, just talking risk management, where it's more male dominated. I think women have been able to make, relatively speaking, excellent progress on the risk management side of the business

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> and I am sure in certain industries they are discriminated against, whether it is conscious or unconscious. (21)

This example is from a company with an active equal opportunity employment program. Change is slow in coming, even with higher management approval and participation.

Risk managers, including those who say there is no discrimination now, say that it takes (or took in the past) a concerted effort on the part of management to hire women in this position.

> There are a lot more women in risk management and insurance brokerage. I would say that 60% of the people I work with in brokerage are female. In risk management, it is different. There are a couple of women who are excellent. Their companies let that happen. That doesn't just happen by itself. I had a secretary who I promoted to my assistant. The first two years were very traumatic for here. But then she did just fine and she is now an account executive. (10)

This man recognizes the obstacles in women's entrance into the field. Employers must be convinced that hiring women will make better economic sense than hiring men who will fit easily into the corporate structure. Companies do not feel the need to go out of their way to give women an equal chance at a job if gender will make their employees uncomfortable. Therefore, certain companies do not actively recruit women. Women know it, and recognize the cost of trying to break into "men's" fields. One woman in a male-dominated industry indicated that some men still react to her gender first after 5 years on the job, but she enjoys her work and has one of the highest salaries of any of the women with whom I have spoken. Since most female risk managers do not try to break into male-dominated industries, most women do not feel discrimination as industry specific.

Public risk management is one industry where women are not discriminated against. One male risk manager of a municipality said,

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> There are a lot of women because there are a lot of women that have gone into public administration. I think they have seen this as an opportunity to bread down some of the barriers, although I am not sure that they have always been successful. Maybe they are more successful in government than they would have been in the private sector. (34)

Municipal risk management positions have lower status and pay than corporate jobs. Therefore, municipal risk management jobs are less sought after by male risk managers. Female risk managers thus have an easier time breaking into this lower tier of risk management.

One woman agreed that certain industries favor men, but added some other significant factors, based on her own experience,

> Sometimes it is a macho industry, that may be part of it. Sometimes it depends on the age of the individuals that are in senior management. Who's ruling them. For example, if you have a European corporation that is the head of the company and have the United States section here, they're not going to be too thrilled with having a woman. Certain professions, also. Leaders of the corporation. The accounting profession, or people with financial backgrounds, if they are leading the company, often frown on women. Although they are coming along pretty good in that profession. But if you have someone in sales that's a leader, they usually work side by side with women. Or someone coming from a marketing background. So, it depends on your leaders. (26)

Results from my sample bear out this hypothesis. Less than half (46%) of the female risk managers report to financial areas, compared with over three quarters (78%) of the male risk managers. Nationally, 83% of risk managers report to financial officers (Logic, 1989). Since most risk managers report to Treasury or Finance, a trend for financial people to discriminate against women would be extremely detrimental to female risk managers.

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Since some men still believe that women are essentially different from men, women may be forming a lower tier of risk managers. Men may think that women are better at certain types of things - people skills, and so women may be concentrated in industries that are more service intensive than capital intensive, and these service intensive positions are in lower paying strata. Women are primarily seen in industries such as real estate, government, energy and utilities, while men have a hold on construction and large conglomerate positions (See Exhibit 7). It is no coincidence that construction and conglomerates are more complex risks with better pay.

Since risk managers often have to change companies in order to move up, and since female risk managers have to start at smaller companies, women have a longer ladder to climb to get to the top, if they are allowed at the top at all.

Pay

As noted above, the size and type of company correspond to salary for their workers (see also, Jacobs 1992). Female risk managers do make less money than male risk managers (see Exhibit 8 for salary distribution of the sample population). Three female risk managers reported discrimination in pay. Some women accept what they see as inevitable.

> Most female risk managers will make less than male risk managers. ... I know when I was sitting side by side with the other claims examiners, I know I was making less than the other men. That's just the way it is. (28)

Some women feel discriminated against as a group. As one woman said,

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> I know for a fact that my [male] predecessor was being paid more than I am. But that's not my main motivation. And I'm glad to be in a position where I can say that, but it's not. I'm certainly making a hell of a lot more than if I were teaching. I'm not necessarily complaining, but it certainly is frustrating. I don't think it would be - I do believe that women in general are paid less, so I don't feel like I am being singled out.

In this case, the risk manager has looked at some industry specific salary surveys and seen what she perceives as evidence of discrimination. Not being singled out means that her salary will appear to others as normal if she is in an industry with a high percentage of women. Also, among her reference group, she can define her situation as positive (Loscocco and Spitze 1991). The fact that people do not generally share salary information also helps employers by making it difficult to uncover information which could help one raise her salary. This woman did do this very thing, take a salary survey of risk managers in her industry, in order to get a raise.

Her industry is not female-dominated and neither is risk management as a whole. These two factors rule out Loscocco and Spitze's conclusion that women evaluate their jobs in comparison to other women as a result of segregation by industry and occupation. I suggest that women use female reference groups because of social isolation from male peers.

The woman quoted above also shows her willingness to accept lower pay by comparing it to one of her options, teaching. If women are willing to take lower pay than men, they open up some job opportunities. As another woman said, commenting on the dominance of women in the Chicago real estate industry,

> My theory is, that as the real estate industry got larger, they had a need for a full time risk manager. And I think that may have coincided either with more women entering the industry, but even more so, individuals entering the risk management

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> industry like I was, who maybe didn't have the experience, so they were willing to take the lower pay. (16)

Accepting lower salaries, women make themselves more attractive in the labor market and gain valuable work experience (Aigner and Cain 1977).

Reskin and Roos (1989) describe the hiring process in terms of *labor queues.* They assert that companies hire the most desirable workers first. The employers have the ability to define "desirable" in any way they (legally) see fit. As the risk manager above noted, women may be higher in the queue if they are willing to take lower salaries. However, once they accept a lower salary, they may be trapped in an industry or area with lower salaries than other industries. One woman, who earns far less than her peers, defends her salary, "I've only been doing this for a couple of years. I have no [insurance] background. ... I've gotten great raises. I think it's pretty good to double your salary in that amount of time" (02). When she took over the Risk Manager job from her boss, she saved the company a great deal of money with her lower salary. Quite a desirable choice for the company's bottom line.

Gerhart found that salary difference between male and female exempt employees were largely a result of a lower starting salary for women. While the salary differential narrowed over time, it did not close. He also found that 43% of the differences between male and female starting salaries could be explained by college major (1990). (Similar results were found by Daymont and Andrisiani (1984).) Three of the female risk managers in my study had Education majors, whereas none of the men had Education majors. However, one man had a Forestry major, which is at least as far removed from insurance as Education. But Forestry and Education do differ greatly in their gender associations.

A lower initial salary has long lasting effects. Early career attainments predict later ones (Rosenbaum 1990). Twenty-five to

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thirty-one percent of risk managers at companies with sales of up to one billion dollars were female in 1991. In contrast, 15% of risk managers at companies with one to seven billion dollars in sales and 3% of risk managers at companies with sales of over seven billion dollars were women (Logic 1989). Starting lower on the "ladder" means a longer climb for women to the top.

If employers are willing to pay higher salaries, they may be able to hire risk managers who are more experienced, likely to be men (who will likewise be selected into higher salaries and industries, with fewer familial constraints). The choice between these two factors (lower salary vs. more experience) depends on the factors' relative value to the company. If the unemployed (most likely to be male) former risk managers are desperate enough to want lower paying jobs, they will be placed high on the queue and are most certain to get the new positions.

The Bottom of the Pyramid

More women are in risk management than ever, but many of them are in the lower positions. There is a greater percentage of women at the bottom of the risk management hierarchy. In my sample, women held 100% of the 39 clerical positions and 38% of the 40 assistant (professional) positions. Nationwide, 24% of risk management jobs are occupied by women (Logic 1989).[3] In this respect, risk management is no different from other occupations found in bureaucracies. (These clerical workers have no special requirements or training in order to work in risk management.) Clerical work is a pink collar ghetto, with clerical workers making up the largest single paid occupation of women (Howe 1977). In 1990, the median risk management department had two professionals and

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3 I have used national statistics since my study does not have a random sample of risk managers.

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one clerical staff member (RIMS 1991). At the largest department I studied, with 9 professionals reporting to the risk manager, only the 4 women were at the bottom of the hierarchy, while all of the men had people reporting to them.

As in many other occupations, women have increased in numbers, but primarily at the lower end of the job hierarchy. Feminization of these positions are the result of many reasons, including the desire for a cheaper workforce (Cohn 1985). Gender ideology also supports the allocation of menial repetitive jobs to women (Davies 1982). Hinkle's (1970) study of insurance adjusters shows that women were employed because of their assumed ability to be empathetic and sincere over the phone (see also Hochschild 1983 for "emotion work"). This perception of women's "innate" abilities is still current.

Stereotypes about women may indeed keep them in lower level positions in risk management departments. Remember the risk manager who wanted women to work for him because they were empathetic and motherly? One could take this risk manager's argument a step further and say that if women are uniquely suited for the "mothering" tasks of routine work and dealing with the public, then men must be suited for the "father" tasks of planning, strategy and delegation. Men are not emotional and are therefore better suited for the higher level thinking of the manager position.

Similarly, stereotypes of women as more detail oriented than men can keep them in lower, technical tasks, instead of the "big picture" work of planning. If women are better at details, it may be due to socialization of women to carry out men's plans and orders. If women are very good at technical work, there is little incentive for managers to promote them, incurring search and training costs.

One other tendency of women not previously mentioned is loyalty. Both men and women mentioned that women seem to stay at companies longer than men. As one woman said,

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> Maybe it's just me, but I don't know that women hop around as much. I don't know if that's a woman-type thing. I hear that women tend to be more loyal and all these good things. (41)

As shown in Chapter 8, loyalty to one's company is not "good" for a risk manager's career. One man noted that someone he knew stayed at her company too long,

> There aren't many women who are in the number one spot. There are some in the number two spot [assistant]. Whether they will get there or not, I don't know. You've heard of the glass ceiling. I'm not sure that it is all on the part of management. Maybe part of it is in the women. For example, I know of a woman in the number two spot who got an offer to be number one somewhere else, and she turned it down. I don't know. Maybe that is not common. (38)

Hesitant to blame women, he qualifies his statement at the end. He has already stated his feelings, women do not properly manage their careers. Jacobs (1992) found that male and female managers do not differ significantly on work related values. With similar feelings about their careers, women may be constrained by family pressures to stay at the same job, not being as mobile as men. One male risk manager in charge of his company's relocation program noted that, in the past five years, he had never relocated a married female employee.

Women are said to have come far because they are able to break into the profession and work their way up. However, not much is made of the fact that many men did not have to come in at the "entry" level. In my sample, 18 out of 27 men were never assistants, compared with only 4 out of 13 women. They were hired directly out of their insurance-related jobs to start a risk management function or take over one which is already in place. There is a large difference between the way that male and female

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risk managers are hired. A comparison of male and female risk managers' jobs is shown below.

	Men	Women
First Risk Manager	8	4
Subsequent Risk Manager	16	3*
Successor to boss	3	6

* all of these risk managers are in the public sector

Women are least likely to be trusted with taking over a department without a trial period.

However, there may be some structural factors in favor of promoting women once they are in the assistant position. Pay is one plus. The company can give an assistant a healthy raise and still save money compared to her predecessor. Another man suggested women are favored for promotions in order to gain tokens in middle management, "In a lot of cases, I'll be very honest with you, I think that companies have seen this as a way to get women involved in middle management in an area that they don't see as being real important"(37). Risk managers may get to levels in the corporation that other women can't -- but they won't be able to go any further.

Risk managers' hiring, pay, and position in the company are related to structural factors in the companies. However, there are also intangible reasons for differences in outcomes for men and women. One risk manager said that promotion is "highly political," which would mean that those who are not favored are individually discriminated against. He agrees with Jackall's study of corporate managers, which said, "Merit pay systems ... are widely considered to be used simply as sophisticated, highly rational legitimations for what is in practice a complicated political patronage system" (1988, 63). Idiosyncratic performance values are especially important when the job has little concrete proof of its worth, as in the case of risk management. Norms and customs exert a great deal of influence

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on wages and hiring (Meyer and Rowan 1977, Zucker 1983). While norms and customs do not make for as good a regression analysis as size of company or industry, they are additional factors to be considered in discrimination.

Adaptations

Women recognize that they have different standards to achieve and different obstacles than men in the same position. Because of the gender discrimination in the workplace (and society), men cannot be in the *same* position as their female counterparts. Women adapt to the demands of corporate life in many ways. Two of the most common adaptations include acting more like their male counterparts. Women can adopt aggressive behaviors at work, and they can choose to do less housework and child care than the traditional wife or mother. Women adopt these behaviors in order to further their careers. Should women prefer to do many home tasks, she may advance more slowly than male risk managers. These patterns are typical of women in many management careers; risk management is not an exception.

Adopting a Male Role

Women want to be part of their organizations, and like Organization men (Whyte 1956), they want urgently to belong. In their quest to belong, women have had to dress and act like men. As one woman said,

> When I first entered the insurance field, and that was about 15 years ago, there were very few of us [women]. And we dressed very stiffly. I still had my hair back in a ponytail, but it was to try to look as conservative as you could so you could fit in. (33)

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Women in large firms wore dark navy blue suits like men, but with skirts. Dressing conservatively is another example of using clothing to make gestures to others. This gesture signifies that women will act like men in hopes of being treated like men.

Women not only have to look like men, they must act like men on the job. As one woman said,

> I certainly have had to be tougher than I would have liked to have been, whereas a man might have said, I need this by such and such a date, I'd have to be even stronger. Not only say it, but put it in writing and say it again. I was told point blank at one time that I would have to prove myself to someone because he doesn't judge people based on their title, but based on their merit. That because he didn't know me, he wasn't going to assume that I knew what I was doing. They weren't those words, but - I certainly don't think he would have said the same thing to a man. (19)

Women have had to take on men's management style. They have even had to be more "male" (aggressive, tough) than men to prove themselves (see also, Hunt 1985). This requirement means women cannot act naturally, but have to be on guard against sounding "like a girl" so that they will be taken seriously. The idea that women have to change themselves to fit into the corporate world has spawned books like Games Mother Never Taught You (Harragan 1977). These books tell us that women are not prepared for the business world because they were not brought up the same way men were.

Family Life

Women have different choices in regards to family than men have in this study. Of the 13 women studied, 10 are married, but only three (23%) have children at this time. All of the 27 men are

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also married, but 20 (74%) have children. One mother in this sample employs live in hired help to perform the roles which she cannot because of her job. As a result, she and her husband have "father" roles, while the nanny has the "mother" role. Hertz refers to the masculinization of parenting:

> In the competitive work environment, an important "rite of passage" for females is their response to the issue of motherhood. They meet this test of their "manhood" by finding surrogates to care their children, and they become, like their husbands, economic providers. (1986, 140)

The small minority of women performing traditional mother roles (15%) indicates that these women do not want children, or they believe that they cannot advance in their careers and perform mothering tasks at the same time. Gerson (1985) shows that all nondomestic women acknowledge that having children will carry career costs. Two of the mothers performed traditional roles, staying home with their children until they were in school. The low fertility rate of these women (.4, compared to the national average of 2.7 children per woman age 15-44) suggests a conflict between maternal and other roles. Jacobs (1992) found that the presence of children under 6 has significant negative effects for women, but not for men.

If women do not choose to use surrogate parents, women have to adjust their home or work life to fit both roles. One woman felt strongly about being home with her children, and fit her job around her home role.

> I went on two different interviews before I left there. But it involved a lot of traveling. And you had to be on a moment's notice. And my kids come first. I'm not going to be a big traveler. Once a month would be okay, I have no problem with that. And if it's scheduled and I know. (28)

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The criteria of no unplanned travel has eliminated any company with locations over 300 miles apart. Risk managers usually visit physical disasters (fires, floods, tornadoes) immediately after the loss to assess damage. This woman ended up taking a lower paying municipal job near her home with flexible policies allowing her to take off time for her family if needed. Two men mentioned altering work plans or schedules to be with their families, and one man fit his hobby into his schedule. Clearly, men's careers are not as affected as women's by the presence of children.

U.S. women do have the choice of whether or not to bear children, to a greater degree than in other cultures. In less industrialized countries like Indonesia, career women are more likely to be single than married (Crockett 1988), showing the close coupling of marriage with having children. Marriage does not seem to be as much of a hindrance to North American women. A recent study of Canadian women suggests "that children rather than marriage pose career problems for women managers" (Andrew, Coderre and Denis 1988, 251). While U.S. women are allowed more latitude than women in other countries concerning reproductive choice, women are still under some pressure to bear and raise children (Gerson 1985). The choice that has to be made in order to succeed may affect women's self selection out of this career. If women want to have children, they may be told by others that it is incompatible with a management position, and they may steer clear of it.

In conclusion, I feel that women have made strides into risk management, but have more hurdles to overcome before we can consider them equal to men. As Jacobs (1992) noted, women are making real progress into management, but they still trail men in both earnings and authority. Women are found in top risk management positions in many industries, but most are in smaller companies of relatively lower prestige than large companies and male dominated industries. Women are not treated equally. They are treated as a special cases in many instances, which keeps them in

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lower paying jobs than men. One man summarized the current situation, "I have seen more women having opportunities in risk management and insurance than any other field. ... Let's face it, discrimination did exist, and still exists. But I see women doing exceedingly well in insurance and insurance related fields" (01).

Risk management is very similar to other managerial positions in corporations. As the examples in this study show, some male risk managers perceive women to have different capabilities. Whether the capabilities are for empathetic or detail work (two opposite skills both attributed to women's innate abilities), the result is restriction of women into the lower end jobs that use these skills. Men, to whom no innate abilities are ascribed, must therefore be uniquely qualified for management.

The discrimination evident in such a young field leads the author to believe that the stratification of women in the risk management hierarchy is not accidental. Risk management could have begun its entry into corporations as a model of equal opportunity. However, risk management's desire for high corporate status may have influenced its treatment of women. The deteriorating effect of the feminization of occupations has been well documented (see Reskin and Roos 1990 for a review). In order for a young occupation to continue its upwardly mobile path, it may be required to assume the values of the corporation, the dominant environment. As a result, women in risk management are treated in the same way as women in other corporate management positions.

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Chapter 10

Conclusion and Discussion

This study of the occupation of risk management continues a long tradition of occupational studies. (See Barley 1989 for a review of Chicago School occupational and career studies.) A formerly unexplored field, insurance risk management, provides insight into the formation of an occupation. As a young occupation, risk management is concerned with issues of status. Risk managers would like the status of professionals to ensure places in their organizations. To elevate themselves, risk managers do status work, using symbolic gestures to inform others of their deserved positions. Risk managers feel their work is more than insurance, and, since it is so important to the organization, it should be given high status.

Conclusion

An examination of the occupation of risk management provides an example of a profession in the making. Often, by the time we get around to examining many professions, the pioneers are dead, the controversies forgotten. Young occupations provide rich examples of the negotiations for prestige among and between occupational groups. In risk management, we are able to view the little battles that define the war for professional status.

While it is unlikely that risk management will become a profession with the same stature as law or medicine, this occupation can be compared to others calling themselves professions. For

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example, risk management can be directly compared to human resources management, another field defined by corporations and legitimated by its clients. Risk management and human resource management are staff functions which can be performed externally, by consultants, or internally, in specialized departments. Generally, neither of these departments are central to a company's main business concern and occupy short, terminal career paths within any single company. Interestingly, risk management and human resources are vying for some of the same corporate turf.

As a growing occupation, risk management has struggled to define itself. All occupations go through a process of explaining themselves to other groups. Risk management is still in the process of educating its public, corporate management, about its role and function. Risk management has changed its title over the years in order to better fit in with management and broaden its occupational opportunities. Risk management also has to get senior management to accept its definition of who is qualified to judge risk managers -- themselves.

While the new occupation is defining itself, it has the opportunity to define itself as an occupation deserving of high status. Everyone present themselves in as good a light as possible. One part of defining ones occupation as of high status is to separate it from low status occupations, like insurance. Like many rising occupations, risk managers would like to define their own duties, leaving the "dirty work" for others. Risk management defined itself as separate from insurance by changing its name to avoid association with the world of insurance. Insurance had already been defined as a limited occupation with low status. Risk management wanted an expandable area with high status, and so broke away from the previously defined category of insurance. Part of the risk management ideology is its difference from insurance. However, since risk management relies on insurance and insurance related concepts for its work, it is

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difficult to detach itself totally from insurance. The distance between insurance and risk management is under negotiation.

Another part of defining itself as an occupation with high status is to call itself a "profession." The word "profession" indicates high status, specialization, training, and ethics. While sociologists try to pinpoint criteria for the proper usage of the term, the public uses the word to describe many occupations. The term is often used in corporations to denote any type of white collar worker. In addition, any worker who hears a request to "act like a professional" understands the message. In everyday terms, "professional" describes something with dignity and respect, the very things that a young occupation needs for legitimation.

The definition of risk management is critical to the occupation's (and its members') power and authority. Status defines risk management's place in the corporate hierarchy. Older professions have established positions in the organization. However, a new occupation has to create its own place. Once the position has been defined in an organization, it is hard to change. Risk management knows this and wants to start over with its new name at an upper level of management. Therefore, a large part of the risk management ideology is concerned with the power and authority needed to execute the function, which is defined by its practitioners as advisory in nature. Advisors, by definition, have to be at a high level.

The career path of risk managers is one illustration of the occupation's stage of development. As an occupation in its infancy, there is no clear career path inter risk management. There are several paths. As the occupation becomes more clearly defined, two general career paths emerge -- through insurance or finance. Prior to the success of the risk management ideology, corporate insurance purchasers were often recruited from general company operations. As risk management becomes recognized as a field requiring expert

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knowledge, risk managers are required to have insurance or finance training or certification.

The status of the new profession is shown in risk managers' career mobility. Many expert fields have horizontal career paths. As risk management grows into a recognized profession, labor markets are shifting from Firm Internal Labor Markets to Occupation Internal Labor Markets. As risk managers successfully promote their ideology, companies will hire people already trained in insurance and risk management. At the same time, more students will hear about jobs in risk management and become familiar with the concepts in college. There are several colleges that offer a major in risk management at this time, and increased demand would point to more courses in the field, if not entire degrees.

Another illustration of the position of this occupation is its treatment of women. A new occupation could treat women as equal or unequal members. The field could be defined as a women's occupation. Risk management continued the male dominance of other corporation specialties in order to fit in with other occupations. Defining the field as feminine might undermine attempts to raise the status of the occupation as a whole. Risk managers want to be accepted as elite professionals, which has traditionally been accompanied by predominantly male membership.

In all, risk management is an occupation trying to establish itself and its clients. An examination of this field gives a unique perspective on occupations and professions. The search for status is critical to any occupation, and vital for the success of the risk management ideology. Risk management will not be able to separate itself from the negative image of insurance without acceptance of its ideology. Acceptance of its ideology also may determine whether this occupation thrives and becomes a profession, with its own jurisdiction, or recedes into corporate invisibility. Status is critical to the professionalization project.

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Discussion

The example of risk management illustrates that a young occupation expends a great deal of effort in pursuit of status. The technical duties of the position consume a large portion of the day, but technical work is embedded in what I call "status work." Status work is performed in interactions with others in the organization on behalf of the occupation, the position of Risk Manager, and therefore, the incumbent risk manager. Risk managers work to elevate the field and their position through indications of high status to others. Higher status will benefit the risk manager in more autonomy, authority, and income.

Status Work

A great deal of time spent at work is in the "job" of confirming and validating the roles we have created. Like all social environments, the work environment is negotiated. People communicate more than factual information as part of their duties. People "tell" each other about the social situation with symbolic gestures to one another. A clear definition of individuals' roles facilitates communication in an interaction.

Status is a major part of the definition of an occupation. The status in a corporation indicates a host of information to others. Relative position in a hierarchy is crucial to communication in a large organization. Communication channels are heavily influenced by hierarchy. An increase in organizational level can mean great differences in accessibility of people and data. Even hierarchical levels, which look so static on organizational charts, are constantly changing. If risk management can increase its position in the hierarchy, it will mean more power in the company. Hierarchies

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reflect the moral order, the relative importance of positions and functions.

If the field of risk management could call itself a profession, its members would be assured of some minimally high level of status. Whether too many occupations call themselves professions (Wilensky, 1964) is for others to discuss. This label is highly coveted. Without the label of profession, this occupation is not legitimate, and its members have to define themselves anew in every interaction. Risk managers are fighting to define themselves as professionals. Attaining that goal would mean less everyday status work on the part of risk managers, since they could rely on the legitimation of the field as a whole.

Similarities To Other Occupations

Risk management can be compared to other upwardly mobile professions, both new and old. As mentioned throughout this paper, it can be directly compared to Human Resource Management, another occupation formed by corporations. HRM has also changed its name in order to claim more organizational status and broader territory. HRM has also created an ideology to elevate its status in organizations. This similarly new field is actively promoting itself, sometimes in direct opposition to risk management. These two fields have designs on some of the same tasks. Control over these tasks may determine relative budgets, and therefore, relative power in the organization.

Risk management can also be compared to upwardly mobile older occupations. Recent cutbacks at colleges and universities have put faculty on the defensive. What are departments (like sociology) doing to increase their status within their organizations? Do they have ideologies which they are trying to promote in order to attain a higher status relative to other departments? Have some

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departments strayed too far from one of their power bases (teaching) and therefore lost organizational support?

Older occupations may take note of risk management's use of constant self-definition. The ambiguous title of risk management may encourage some of its members to promote understanding of the function and its importance. Questions about the definition of risk management may provide opportunities for members to promote its ideology. Other occupations may suffer from a lack of opportunity to promote themselves and clarify their relevance.

Areas For Future Study

The occupation of risk management is a rich example of how occupations can outgrow their roots. Since insurance is one of the sources of this consulting occupation's expert knowledge, one wonders how much distance risk management can put between itself and insurance while using it as a power base. Perhaps future studies of risk management will follow the course of this occupation to answer this question.

This study has also pointed out a need for further research in the field of occupations and organizations. Additional studies of professions in the making can further illustrate the process of creating an occupation; the formation and dissemination of an occupational ideology. How can we tell if an ideology has been accepted? Can the presence of various types of internal labor markets be used to distinguish the success of a professionalization project?

Findings in this study regarding the differences in hiring procedures between public and privately held companies should be further investigated. Are there other differences between these types of companies in terms of corporate cultures? What are the defining characteristics of the cultures?

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Another aspect of corporate cultures to be addressed is the integration of women into corporations. Do women feel socially isolated within their companies? Within their occupational groups? Do women still feel isolated when there is more than token representation?

Regarding sexual discrimination, how do hiring and promotional practices vary between companies headed by people with financial backgrounds versus other backgrounds? Companies with older/younger leaders?

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Exhibit 1

Risk Managers Interviewed

Industry	male	female
mftg & retail	7	1
wholesale	2	0
universities	2	0
real estate	0	3
insurance co	1	1
financial co	0	2
food	3	0
construction	1	1
publishing	2	1
transportation	2	1
municipalities	3	2
pharmacuticals	2	0
chemicals	2	0
communications	0	1
Total RMs	27	13
Others in Industry		
broker	2	2
recruiter	2	0
professor	0	1
former RM	1	0
health care RM	0	1
Total Others	5	4
TOTALS	32	17

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Exhibit 2

Common Types of Property and Casualty Insurance

Type of Property Insurance	Items Covered	Covered Causes of Loss
Building & Personal Property Insurance	buildings, contents, inventory/stock	fire, wind, hail, vandalism, sprinkler leakage
Business Interruption Insurance	monetary loss due to interrruption of operations from a covered property loss	(see above)
Boiler & Machinery Insurance	steam boilers, pumps, compressors, turbines, gears, air conditioning equipment, transformers	accidental breakdown
Crime/Fidelity Insurance	same as Building & Personal Property Insurance	employee dishonesty: theft, forgery, embezzlement

Type of Casualty Insurance		
General Liability Insurance	premises, operations	damage done to persons while on company premises, or in the course of operations
Workers Compensation	employees	injuries occurring in the course of employment
Directors and Officers Liability Insurance	directors and officers	error in good faith performance of duties

Note: Each insured chooses the coverage it needs.
These are some examples of typical coverages.

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Exhibit 3

Types of Risk Management Knowledge

Insurance	What types of insurance are available? What insurance does this company need? What is not covered by insurance?
Company Operations	What does each part of the company do? How do the operations expose the company to loss?
Finance	How should this company best finance the losses that will happen in the future?
Safety	How can future losses be prevented?
Administration	How can we most efficiently handle the losses that have already occurred?
Legal	What are the legal ramifications of the company's operations and contracts? What is and isn't covered by insurance?
Economics	What are the marketplace trends? How will they affect all of the above?
Management	How should I manage my department for efficient operations?
People Skills	How should I interact with other departments: How can I develop information networks to keep abreast of all of the above areas?
Sales	How can I sell myself and my function to the company in order to keep my job and my position?

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Exhibit 4

FILM Career Paths of Risk Managers

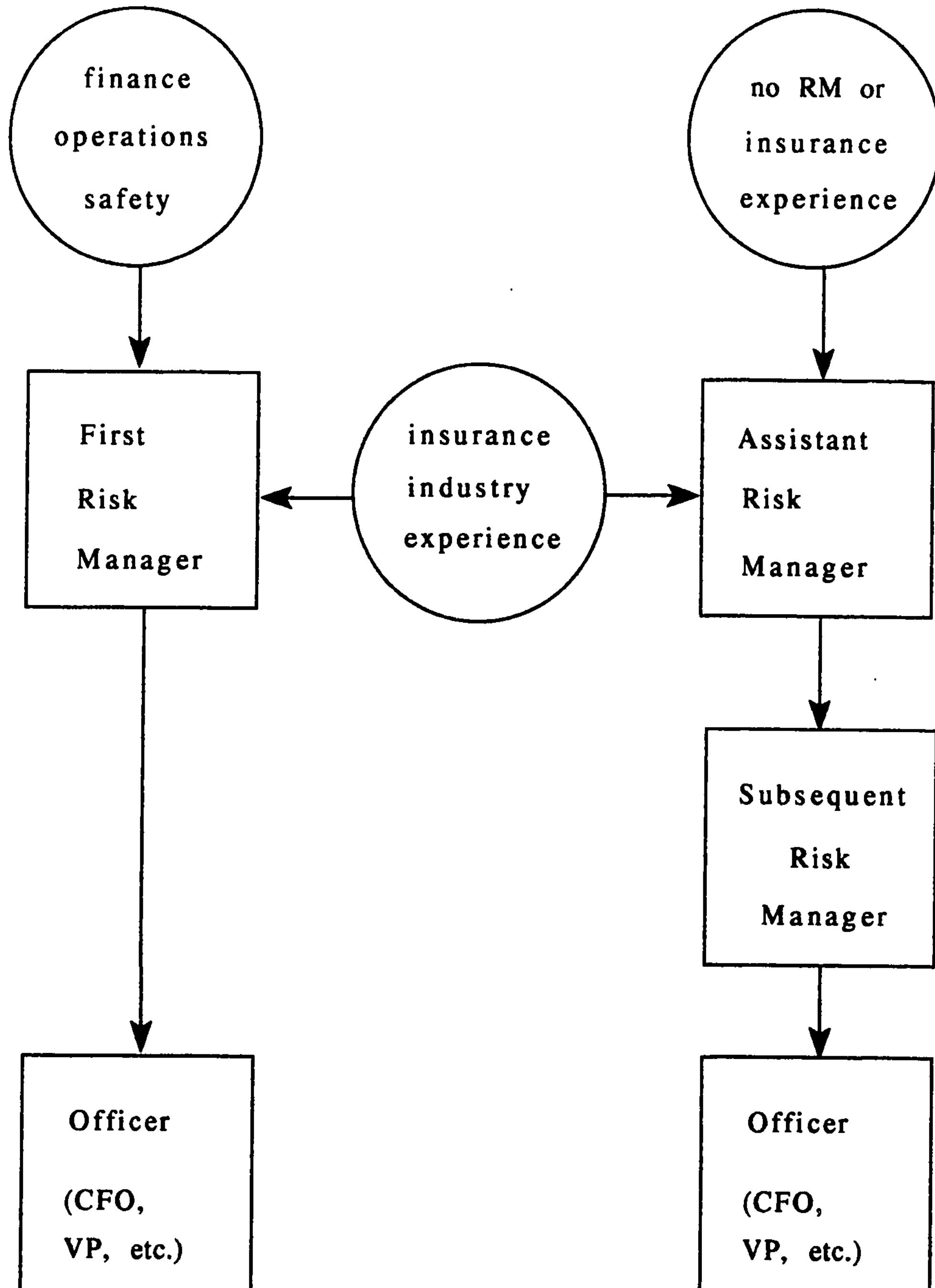

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Exhibit 5

OILM Career Paths of Risk Managers

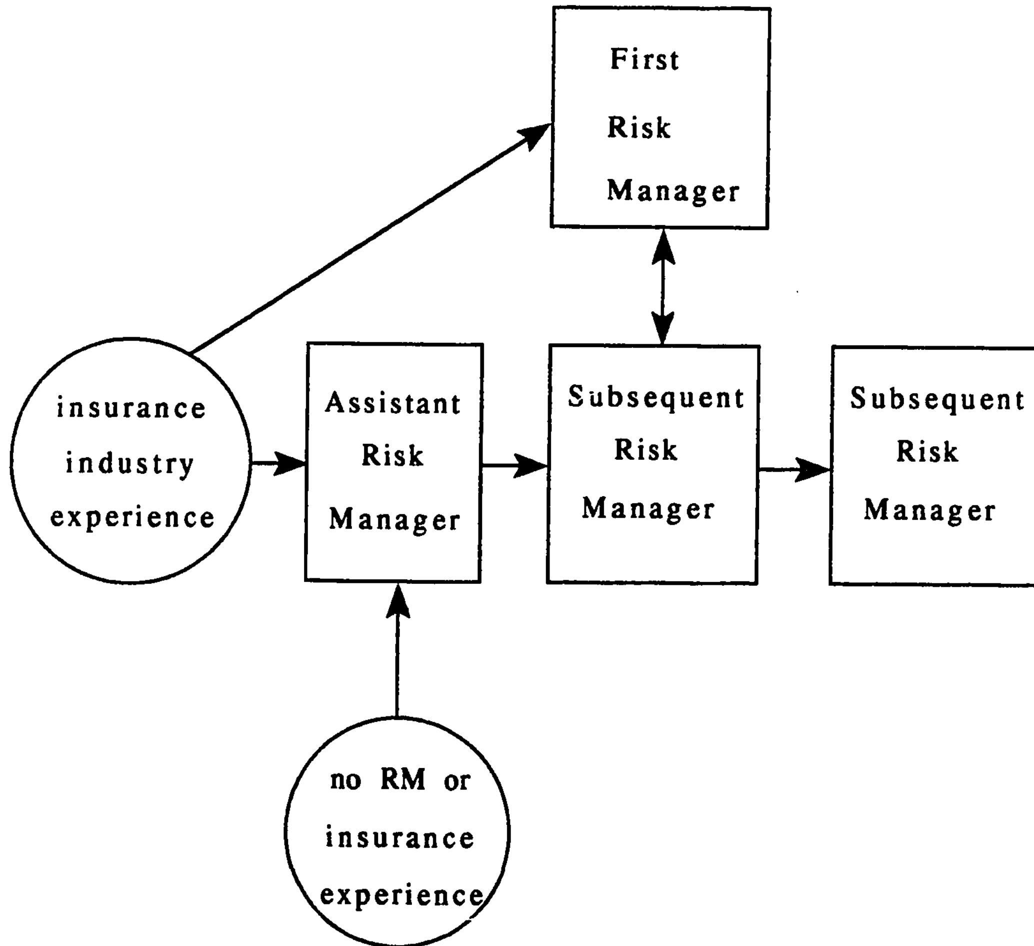

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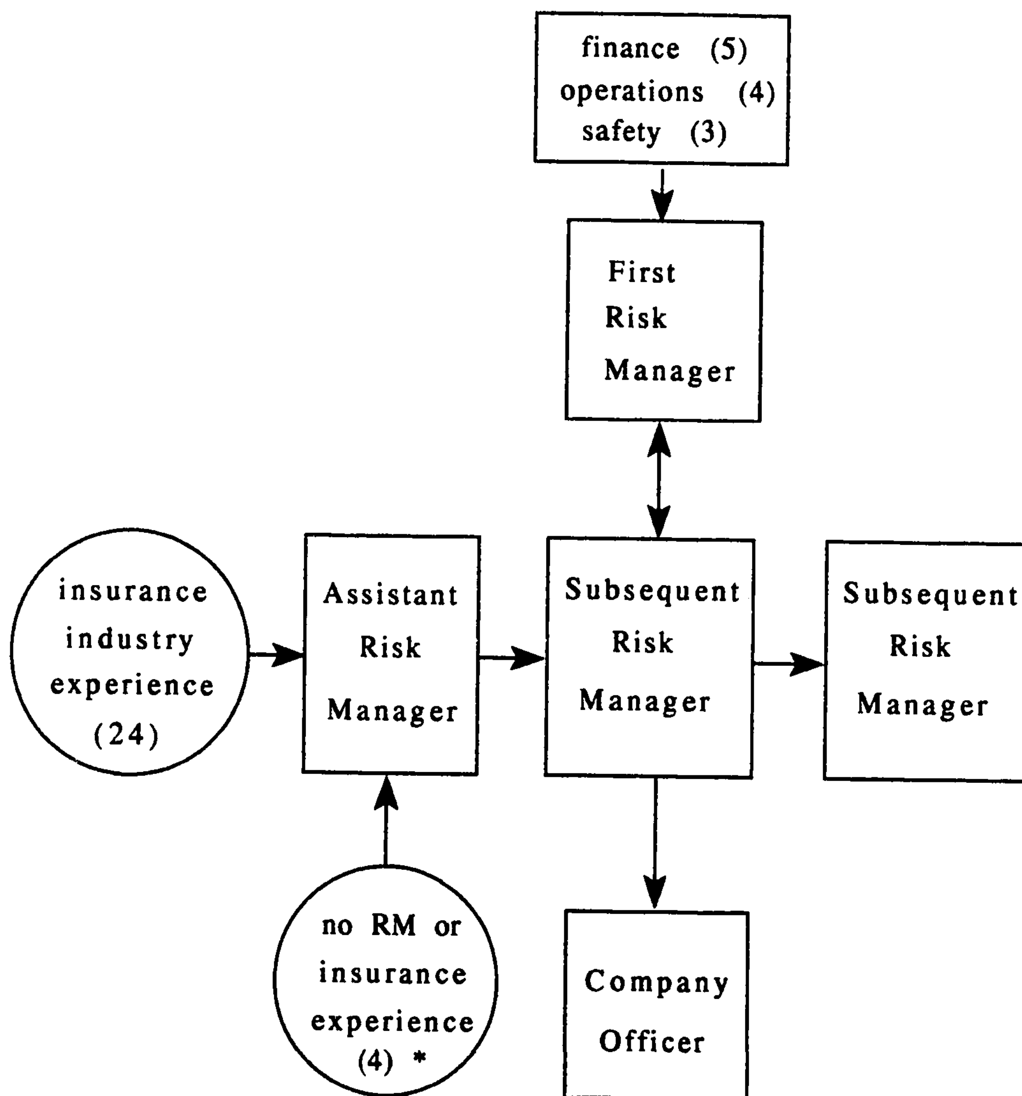
Exhibit 6

Combined Career Path of Risk Managers



Numbers in parentheses indicate the number of subjects entering via each path.

* This path includes people from the top (internal) box. Four subjects had no previous corporate experience

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Exhibit 7

Female and Male Risk Managers in the Chicago Area by Industry

Number of				Percent	
Women	Men	Total	Industry	Women	Men
4	3	7	real estate	57%	43%
3	3	6	municipal govt	50%	50%
3	4	7	energy & utilities	43%	57%
2	3	5	publishing	40%	60%
3	5	8	transportation	38%	62%
3	10	13	insurance	23%	77%
6	27	33	manufacturing	18%	82%
1	5	6	health services	17%	83%
1	7	8	higher education	12%	88%
1	7	8	construction	12%	88%
0	9	9	food	0%	100%
0	12	12	financial instit.	0%	100%
0	6	6	conglomerate	0%	100%
27	101	128	total		

Data - 1990 Chicago area risk management association memberships

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Exhibit 8

Salary and Age Distribution of Risk Managers in Sample Population

Salary Distribution

Salary (k)	Male	Female
100+	8	1
90-99	4	0
80-89	1	1
70-79	3	2
60-69	5	3
50-59	2	3
40-49	0	0
30-39	0	1
Totals	23	11

Two women and four men would not give salary information

Age Distribution

Age	Male	Female
50+	10	0
40-49	12	6
30-39	5	6
20-29	0	1
Totals	27	13

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