Interview of Michael Somich Segment 2

Title: Role of Senior Executives in Leading Risk Oversight

Beasley: Hello. I am Mark Beasley, the Deloitte Professor of Enterprise Risk Management and Director of NC State’s ERM Initiative in the Poole College of Management. Today, I am joined by Mike Somich who serves as Executive Director of Internal Audits at Duke University. He has been very instrumental in leading the enterprise risk management efforts at Duke, and it is important for everyone to know that not only includes Duke University, but also Duke Medical Centers and Duke Endowment. Thank you for being here.

When you think about leading the risk oversight function at a complex organization like Duke University, culture is king in a lot of cases. How would you describe the support and the engagement from the senior leadership team in strengthening the risk oversight effort at Duke University?

Somich: They’re very actively involved and engaged in the process. We started with involving the senior leadership in determining the strategic risks. And then when we made the decision to move, move it down to the vice president level and look at the operating risks, we pulled them all together to talk about what process we were going to follow and the president of the university came and kicked off the meeting, explaining why we were doing this, the strategic risks that we had, the benefits of this process, what he expected of them. And then he said, “And Mike will facilitate the rest of the process.” So he gave me all of the support that I needed, ah, to effectively move this forward.

Beasley: So you have the support of the president. If you were to go around the leadership team across the university, who do you think they think is leading risk oversight at Duke?

Somich: They would probably say that I am, because I am the visible person who is facilitating the process. Clearly, as the executive director of internal audits, I don’t own any of the risk, but I work with people to understand what those risks are, what the mitigation strategies are, and then help them communicate that effectively within the organization.

Beasley: How frequently would you be interacting with the president about what’s going on in the risk oversight process? Do you interact quarterly, monthly, or is it weekly?

Somich: It depends on what we’re doing within a particular year. At the beginning of the year, he and I meet and we talk about what are the things that we want to accomplish in the risk management process this year? How are we going to develop it more fully? Um, in this year, 2011, where we, I would say, have engaged all levels of the organization in the risk management process, we are—he is aware of what I am doing on a monthly basis. We meet at least quarterly, reporting on operating risks and financial risks and compliance risks, so it’s a fairly regularly communication.

Beasley: As you’ve rolled the risk oversight process out across more people at the university, how have you communicated the importance of ERM at other levels in the organization to ensure they know this is viewed as important by the leadership at the top?

Somich: Well, for instance, this year, we ran out—we looked at the academic risk. And each of the schools and colleges needed to prepare a heat map for their individual risks. They all report to the provost; he’s one of the four senior leaders, so working with the provost, he sent an email out to all of the deans, saying, “This is what we are going to do. This is the process. Mike will be in contact with you to help you through the process,” and that—again, support from the senior leaders set the tone for where we were going.

Beasley: Let me ask one more question before we wrap up here. If you were sitting in a different university or even a different organization—doesn’t have to be a university—and you didn’t have the level of engagement that you have from the CEO or president’s office, what would your advice be, or what would you do, or would you try to go very far with this without that kind of support?

Somich: I don’t believe you can go very far without that support. The president or the CEO sets the tone for the organization, and if he walks the walk and talks the talk, other people will, as well.

Beasley: Thank you, Mike, for being here. For our audience, I’d like them to be aware of the fact that on our ERM Initiative website, we have several resources under our article section that are tied to boards of director and audit committee issues. So there’s a searchable link where numerous articles about board and audit committee kind of dynamics are there for a resource, so I would encourage our audience to take advantage of that ERM Initiative website. So thank you, Mike, for being here.

Somich: You’re welcome. Thank you, Mark.