

ERM VIDEO INSIGHTS

Transcript of Ward Sax and Bruce Branson *Risk Assessment Approaches at RTI International*

Bruce: Hi I am Bruce Branson, I am the associate director of the Enterprise Risk Management Initiative at NC State University. I'm speaking today with Ward Sax. Ward is the Senior Vice President, Treasurer, and Chief Risk Officer of RTI International. RTI is a leading research development and technology services provider to a global client base. Ward is going to talk with us today about some of the unique approaches that they've developed in risk assessment. Ward, I appreciate you joining us today.

Ward: Thank you for having me.

Bruce: One of the things that you've told us about in the past is this kind of triennial approach to risk assessment. I hope you can share a little bit about what is involved with that and who participates.

Ward: We have multiple approaches to our risk assessment. The triennial risk assessment came about as result of our initiation of the enterprise risk management program at RTI international. We didn't have a catalog or a library of risk and we felt that it was important to get that in one location as we launched our ERM. The risk survey, or risk assessment, was worn out of that necessity. What it is, is a survey that we went from the C suite down to our senior managers to ensure that we got both operational and tactical risk known and known unknown, its an also strategic risk. And it's a survey that was, at that time, 100 questions with open-ended questions to get to the known unknowns. It's evolved overtime; we do do it every 3 years and now its 60 more focused questions about the risk that we know or believe or coming our way.

Bruce: And I think you also, maybe a more frequently on a quarterly basis, re-visit some of these risks and do an assessment, how does that dovetail with the triennial approach?

Ward: Well, from the triennial risk assessment, we develop leading key risk indicators. And obviously our risk changed on a daily or monthly basis based on our operations, and so we feel it's important to refresh that risk profile on at least a quarterly basis. In the first and third quarters we do a very in depth survey by risk managers and our leadership to assess what our risk profile looks like. On a second and fourth quarter, its much more top-level assessment. We really want to just get to the emerging risk and talk about those. But it's important that we update those risks on a quarterly basis and we also then go up to the board to ensure that the board understands what risks is facing.

Bruce: You mentioned emerging risks; I think that also is perhaps a third kind of prong or an effort that you make with the risk assessment area. What specifically do you do to help maybe to get a better understanding of those emerging risks that you face?

Ward: Well the first thing that we undertake is an education process to ensure that all of our staff understand that risk and risk management is the role of our operational staff and it isn't ERM's role to identify all of the risks. By doing that, as they see new risks and they assess them to be risks, they bring that up, their chain of command either through their operational or they come to the ERM office and they say, "do we have a risk here? What do we need to do to mitigate that?" And so through this emerging or add hawk, it can be whenever those risks are identified, we determine whether or not it needs to be elevated and escalated, and we put in place risk mitigation plans. Our desire is to keep it at the lowest level first before we elevate it up the chain to ensure that everyone understands what those risks are.

Bruce: So I hope maybe you can talk a little bit about some of the synergies or benefits that you see in these different approaches and how they maybe come together and help advance the ERM process.

Ward: Well the three different types of risk assessments with triennial risk assessment, the cordially risk assessment, and the add hawk, what we are doing is we are looking at various time lines. Clearly once we do that catalog; that gets a little bit stale quite quickly and so those cordially risk assessments ensure that we are assessing those risks on a routine basis ensuring that our mitigation processes are working. The add hawk is really to deal with those risks that emerge, that we simply didn't anticipate, it might be because of a contract offering or because of the dangerous places we operate in the world with some of our research implantation projects that we do for various clients. Those are going to come up simply because those risks emerge now, and they have to be dealt with now, they cant wait for a cordially meeting or a meeting of risk management committee.

Bruce: Sure. Well I hope maybe you could close with just some words of wisdom for our audience about some of the different approaches of risk assessment and how they might be able to implement some of the things that you found successful at RTI.

Ward: Well when you start at an enterprise risk management program, it can be fairly daunting. Are you trying to boil the ocean? The best piece of advice I ever received was from the chairman from our audit committee and he told me that, "Ward, whatever you do, just get started. Decide what you're going to do and try something and just get started." And that's the advice I would give to anyone who's engaged in this new process, chose a course of action and just get started.

Bruce: That sounds great, Ward I appreciate you spending some time with us today.

Ward: My pleasure, thank you for having me.