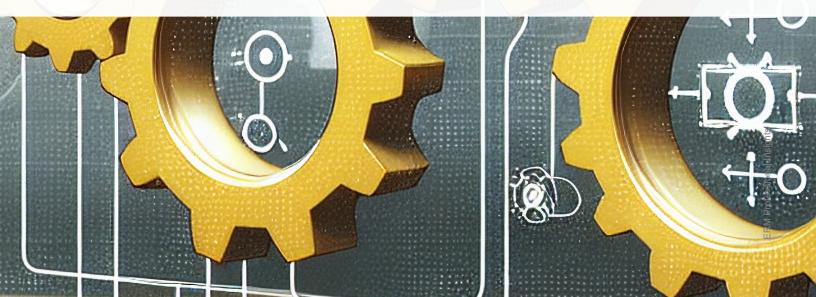# HIGH-LEVEL INSIGHTS FROM THE FALL 2024 ERM ROUNDTABLE SUMMIT

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Enterprise Risk Management Initiative

Executive Training & Events for ERM Professionals
ERM PROFESSIONAL INSIGHTS

High-Level Insights from the Fall 2024 ERM Roundtable Summit

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Don Pagach is a professor of accounting and serves as the director of research for the ERM Initiative in the Poole College of Management where he helps lead our ongoing research related to ERM. Don has conducted extensive academic research that examines characteristics of organizations that implement enterprise risk management and how investors in the marketplace value the embrace by organizations of ERM processes. Currently he has ongoing research projects that examine the impact of integrating an organization's ERM processes with its focus on sustainability. Don also works closely with visiting PhD students who come to NC State to partner on research related to ERM. Don is one of the co-authors of the Initiative's annual survey report on the Executive Perspectives on Top Risks done in partnership with Protiviti.

Business leaders and boards of directors seeking to strengthen their organization's approach to navigating enterprise-wide risks can benefit greatly from the experiences and insights of other ERM leaders across a variety of industries and types of organizations. Those who attended our Fall 2024 ERM Roundtable Summit heard a number of important take-aways from our speakers [see side-bar], representing major U.S organizations, who shared their insights with the 150+ attendees.

This document captures some of the key insights shared by our speakers.

Multi-Industry ERM Leader Insights

Each of the speakers provided a rich, in-depth look at aspects of their organizations' risk management processes, including a number of important points of focus and best practices.

When considered together, four high-level insights emerged from all the presentations that executives and boards may find valuable as they seek to enhance the effectiveness of their organization's ERM program.

Insight #1: Talented Leaders Embrace a Risk Mindset

Risk management success for an organization occurs when talented subject matter experts across the organization embrace the importance of having a risk mindset in the work they do. It is no surprise that talent was discussed by all of the speakers as it is consistently a top 10 risk in our annual *Executive Perspectives on Top Risks* report we conduct in conjunction with Protiviti. When there are great people who work together as a team with an eye on paying attention to risk, regardless of their job, the organization is best prepared to manage risks that emerge. Key messages and recommendations included the following:

- Great talent can mitigate risks – especially reputational risk –
when things go wrong. That highlights the need for individuals who can work at a fast pace that requires quick reactions in high-pressure situations with fairness and consistency in decision making. [Eric Jacuzzi, NASCAR]

The ERM Initiative thanks the following professionals for taking the time to share their ERM insights:

- **Eric Jacuzzi** – Vice-President of Vehicle Performance at **NASCAR** provided comments on balancing risk, performance and safety in a high-pressure environment.
- **Dustin Ade** – Senior Principal ERM Team Leader at **Chick-fil-A** discussed the journey that the company has gone through to move from a risk program focused mostly on insurance and effective reaction to a strategic risk perspective in which team members become confident responders.
- **Dan Florness** – CEO at **Fastenal** gave a CEO's perspective on the ERM journey from fragmented ERM to Strategic ERM, including insights about how ERM can add value for C-Suite and Board consideration.
- **Aaron Morrow** – Director of Enterprise Risk Management at **Sherwin-Williams** discussed the lessons learned from refreshing its ERM program.
- **Mary Cole Pike** – Executive Director of Communications and Chief of Staff at **NC State University** provided tips and a playbook for communicating effectively during high crisis situations.

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Initial design principles can reduce future risks. Several presentations emphasized the importance for an organization to do its risk management "homework" and diligently prepare as a necessary condition for the future success of an ERM program.

- Tiers of risk ownership can help unpack and report on enterprise risks. Risk teams consisting of executive-level risk sponsors, senior level risk owners, and functional level risk leaders working together as a network can create a culture that reflects a collaborative approach to risk management. [Dustin Ade, Chick-fil-A]

- Risk management needs to become a habit and part of the organization's DNA. Leaders need to adopt an expectation and mindset that everyone regardless of position "owns risks". [Dan Florness, Fastenal]

- ERM Leaders can benefit from developing a "relationship map" with other leaders across the organization, with an emphasis on prioritizing connections and partnerships between business unit leaders and risk leaders. [Aaron Morrow, Sherwin-Williams]

- A key step in preparing for communicating in a crisis involves establishing clear, defined "lanes" of responsibilities for different leaders before a crisis emerges. It helps to distinguish who can be focused on broad strategic issues from who is focused on key support operations, and from who is focused on tasks and directives at the tactical level. [Mary Cole Pike, NC State]

Insight #2: Diligent Preparation for Future Success Reduces Future Risks

Initial design principles can reduce future risks. Several presentations emphasized the importance for an organization to do its risk management "homework" and diligently prepare as a necessary condition for the future success of an ERM program. Some of the comments and points concerning preparation that stood out included the following:

- Advance planning is so important. Anticipating potential pitfalls and risks before they emerge and implementing tactics to prevent them or minimize their impact can increase an organization's readiness when the unexpected occurs. Embracing the view that "anything can happen" and performing constant vigilance is important. [Eric Jacuzzi, NASCAR]

- A framework for resiliency involves understanding risks that the organization may face, preparing for disruption, and responding when a crisis occurs. Scenario planning and pressure tests can help in all three aspects by highlighting vulnerabilities and risky assumptions. [Dustin Ade, Chick-fil-A]

- Knowledge about potential risks before they emerge can inform strategic decisions. Some of the potential risks may lead to opportunities that can create additional value. [Dan Florness, Fastenal]

- The success of an ERM program begins with ensuring there is a sufficient understanding of the core components of the entity's ERM process, including potential gaps. Based on that understanding, it is important to prioritize both short-term and long-term objectives. [Aaron Morrow, Sherwin-Williams]

- Effective management of a crisis benefits greatly from advanced preparation and identification of challenges, vulnerabilities and opportunities before an issue or crisis takes place. [Mary Cole Pike, NC State]

Insight #3: Consistency in ERM Processes Strengthens Effectiveness

As the old saying goes, "practice makes perfect." That rings true for ERM, too. There is a benefit to having a defined repeatable process given that continuous execution of those processes helps educate and train leaders across the organization. That kind of consistency helps advance a risk mindset across the organization and leads to lasting impact.

The final theme that all speakers focused on was how self-assessment is a very important step in the ERM process to understand what went right and what went wrong after a risk event.

- Establishing a cadence and defined approach that engages business leaders in ERM creates a repetitiveness in the execution of process that can eliminate confusion about what needs to be done so leaders can focus their thinking about navigating risks that emerge. Clarity of tasks also helps empower others on the team. When teams work well together, they can ensure that things go better in all aspects. [Eric Jacuzzi, NASCAR]

- Providing business leaders tools and templates can help take some of the burden off business leaders so they can focus risks that might impact the business. Developing a toolkit of resources, such as Playbook Templates, Tabletop Exercises, After-Action Reviews can help increase the engagement and "leaning in" of business leaders into risk conversations. [Dustin Ade, Chick-fil-A]

- Aligning people and resources along geographies, markets, and product lines can help build systems thinking and collaborative relationships as they can see trends and challenges that may be managed at more centralized levels so that risks can be managed more efficiently. [Dan Florness, Fastenal]

- Risk taxonomies can help provide consistency in how different people might interpret different types of risks. Providing a framework of risk definitions and categories can lead to efficiencies in conversations and discussions by helping ensure business leaders are "talking the same language" as they discuss risks. [Aaron Morrow, Sherwin-Williams]

- Structure in responding to a crisis can help establish expected steps and timelines so that leaders don't "spin in circles" as they try to address an issue. An emerging best practice for managing a crisis involves embracing the "Meet-Break" methodology where leaders meet for briefings to assign tasks and then break to tackle those tasks, and then later come back together to meet and break again multiple times until the crisis is resolved. That keeps people from spiraling out of control when issues suddenly emerge. [Mary Cole Pike, NC State]

Insight #4: Spend Time in Self-Assessment to Pinpoint the Good and the Bad

The final theme that all speakers focused on was how self-assessment is a very important step in the ERM process to understand what went right and what went wrong after a risk event.

- Timely review and debrief after an event focusing on "what went well" and "what didn't go well" can help pinpoint points of success and vulnerabilities. Doing so timely captures the details in a timely manner before they are forgotten. In light of this, teams at NASCAR meet every Tuesday after a race in order to examine the events of the prior weekend's race. [Eric Jacuzzi, NASCAR]

Spending time to debrief and evaluate lessons learned from recent events can be invaluable preparation for unexpected future surprises.

- Investing time to conduct both pre- and post-mortem reviews and after-action reviews to pinpoint opportunities to strengthen gaps in an ERM process can be effective tool in a resiliency toolkit. [Dustin Ade, Chick-fil-A]

- Self-assessments will help customize the organization's approach to ERM so that it fits the culture and context of the organization. For example, Dan Florness expressed this as "Fastenal-ize ERM." The goal of self-assessments is to provide insightful, forward-looking perspective. [Dan Florness, Fastenal]

- As organizations evaluate the risk experience, it is important to not let the outcomes of events cloud the evaluation of decisions. [Aaron Morrow, Sherwin-Williams]

- An effective self-assessment needs to involve asking tough questions such as "What led to this situation? Did we miss something?" [Mary Cole Pike, NC State]

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Focus on addressing customer risks can lead to strategic opportunities.

Finally, a last common theme that stood out was how success can come from thinking about your customers' need and desire for their own risk mitigation. Finding solutions to address your customers' risks can help align the importance of thinking about risk management from a strategic perspective. Mitigating your customers' risks can help you determine your opportunities.

This document contains just a snippet of extensive insights shared by our speakers. Keep an eye on the ERM Initiative's website (erm.ncsu.edu) for announcements about opportunities to register for future Fall and Spring ERM Roundtable Summits.

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