

Interview of Paul Zavolta, Segment 2
Chief Risk Officer vs. Risk Committees
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Interviewer: Bruce Branson, Associate Director of NC State ERM Initiative

Interviewee: Paul Zavolta, Director of Enterprise Risk Management, Alpha Natural Resources

Branson: Hello. I'm Bruce Branson and I serve as the Associate Director of NC State's ERM Initiative in the Poole College of Management. I am speaking today with Paul Zavolta who is the Director of Enterprise Risk Management at Alpha Natural Resources and leads their ERM function. Paul, thank you for agreeing to speak with us today.

Zavolta: You are welcome.

Branson: My first question concerns the need to identify a specific individual to lead the ERM effort. We've seen that some organizations have appointed a senior executive to serve as the risk champion, often designated as the chief risk officer, while others create a risk committee, which consists of a team of executives that collectively lead the ERM effort. What advantage do you see in either approach?

Zavolta: Actually, our company has both a chief risk officer and an enterprise risk management committee. The advantage I see from having a chief risk officer is having that interaction with the C-suite level, and also initially having that at that level showing the importance of risk management. And allowing that the chief risk officer is interacting with them, there's a communication from the other members of the executive suite that then the chief risk officer can convey to myself. And him and I work together to have a better or clearly understanding of what are some of the objectives and goals of enterprise risk management. So there's that communication.

Also, the enterprise risk management committee and the way we have it structured with a broad-based number of executives throughout the organization—whether it's finance, whether it's sales, operations, etc. There's 14 people that sit on our committee. It therefore shows the significance to the organization by having that broad-based level of people on the committee. But it also allows—because it's broad based—that we can get communication when we have our meetings on risks throughout the organization.

Branson: For a chief risk officer or the risk champion in an organization, what do you think is the ideal skill set for that individual to possess, to be truly effective in their role?

Zavolta: Having gone through the process of—in our organization of developing it from the ground up and going through the risk identification process, risk assessment, developing our key group risks, and putting together teams to do a deep dive analysis on those, and coming up with the treatment plans related to those key group risks, you initially would think that you have to have a lot of expertise and knowledge about risk management. However, what we've found in our process, going through it, is key skills include people skills—the ability to facilitate. When you have a workshop process, it's a matter of facilitating dialogue, facilitating communication among people. Yes, you need your basic quantification-type skills or analytical skills, but essentially, having people skills, I felt, was very important. Probably the most important thing.

Branson: Finally, based on your experiences, what might be the implications for undergraduate and graduate business education related to risk management? In other words, what types of risk management skills should we be teaching in business schools today?

Zavolta: From a perspective of having worked in industry for 20 years, early on in my career, it was great to have the so-called finance skills, the accounting skills that basically gave me the initial impetus for my career. However, as I've moved up through the organization, in different organizations, I think, regardless of where you may work, whether it's in operations, whether it's in sales and marketing, and having been through risk management now on the ERM process, looking back, I kind of wish maybe I had those skill sets earlier in my career, because it allows you to take maybe a different approach at looking at a problem for your company, necessarily taking a—now I know—we used what's called event analysis or event tree analysis and looking at and assessing our risks. Any problem you could have within business, you could use an event tree analysis. It's this one thing I learned later on in my career that I think, going back, could essentially have helped me throughout my career. And I think it could help students early on, having those skills sets, that they could add value to their organization early in their career.

Branson: Thank you, Paul, for talking with us today. For our audience, I'd like to encourage you to explore our ERM Initiative website further. You will find resources there that talk specifically about the role of the chief risk officer as well it being fully searchable on other ERM topics.