

Interview with Laurie Brooks Segment 2
Need for Enterprise Risk Management Education

Interviewer: Bruce Branson, Associate Director of the ERM Initiative
Interviewee: Laurie Brooks, Board of Directors, Provident Financial Services

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'm speaking today with Laurie Brooks, who is a current member of the Board of Directors of Provident Financial Services. Laurie recently served as Chief Risk Officer for Public Service Enterprise Group in New Jersey.

Laurie has been instrumental in leading the enterprise risk management efforts at PSEG and in providing leadership overseeing an ERM implementation at Provident Financial Services.

Laurie--thank you for joining us today. My first question deals with our role as educators of the next generation of business executives. In your view, what might be the implications for both undergraduate and graduate business education, related to risk management? That is, what type of risk management skills do you feel should be included in a business school education today?

Brooks: I think one of the most important things for people to understand about enterprise risk management—and I think I've heard several people voice this thought over the last few weeks—is that we will really have succeeded when we no longer even have to talk about enterprise risk management, when we realize first that enterprise risk management means you can drop the word “enterprise” because everybody understands that it is across the enterprise, it's across all risks. And then we can drop the word “risk” when we realize that it's just good management. So I think it's not that it's a fad. It's that it's finally a focus on something that is so pervasive and crosses so many disciplines that understanding how to identify risks, how to evaluate and assess them from a probability and impact status, from an agility standpoint, from a velocity standpoint, is something that can contribute to any number of disciplines.

We talked earlier about supply chain, about business continuity, about strategic planning. All of these are areas that can benefit from an understanding of the enterprise risk management discipline.

Q: If you were a new member joining an organization's board of directors, what would you do to help get a sense for whether the organization has embraced an enterprise-wide approach to risk management--what kind of things would help you get a read on that?

Brooks: Well, it's actually funny that you would ask me that question, Bruce, because I'm actually on the board that I'm serving on because of my enterprise risk management background. I was speaking at an audit committee institute, and the bank officers and directors were sitting in the audience, and they were contemplating developing an ERM strategy at the bank. And they said, "We need somebody like that on our board, to champion the whole process." And so that is how I became involved in the board, and so I've actually been on the board during the process of developing and unfolding the process, if you will. And so I think, as a new board member, you have to first gauge "what is the overall understanding?" If you talk about enterprise risk management and you get a blank stare from everybody around the table, you know you're at the very beginning. If you talk about it and people immediately go, "Oh, that belongs to the head of internal audit," or, "It belongs to our chief risk officer," then you at least know that they've identified organizationally where their starting point is. Even better would be to have people say, "Oh, we talk about risks at every board meeting, and these risks belong to the governance and nominating committee, and these risks belong to the audit committee, and these risks belong to the finance committee." Then you know you've got a fairly well-developed process, where the workload has been distributed appropriately.

So the things to look for is, you know, just the level of understanding of the terminology: who are the internal champions, what are the processes that they're using to report on the risk, what are the reports that are being developed for the board to look at.

Q: Thank you, Laurie, for talking with us today. For our audience, I'd like to encourage you to explore our ERM Initiative website further. We have several resources under our articles section that provide additional thoughts on boards of director and audit committee issues related to risk oversight. The website also allows for searches on any topics related to ERM. Laurie, thank you again for your willingness to share your thoughts with us today.

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