

Transcript-ERM-as-an-advisory-function-Sam-Coster

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SPEAKERS

Sam Coster, Don Pagach

D Don Pagach 00:06

Hi, I'm Don Pagach. I'm the director of research for the Enterprise Risk Management Initiative here at NC State, and it's my pleasure today to welcome Sam Coster, who is Enterprise Risk Advisory head at Hilton. And so I'm really happy to have you here today, and it's a little bit different to be Enterprise Risk Advisory. We usually have Enterprise Risk Management. Can you tell us a little bit about how that transformed at Hilton to Enterprise Risk Advisory?

S Sam Coster 00:32

Yeah, absolutely. And I think you're going to see more of this in the industry, to be honest, because ERM while as a mature discipline in industries like financial services insurance. It's been a very evolving discipline in non financial services and insurance so in the commercial sector for the last 15 years. And I think the important attributes of the commercial sector implementation of erm is that you you can't control everything. You don't control everything. It's not a an easily metric organization or business. For many of us, certainly in our consumer based business, it's very difficult to put a nice, neat, tidy set of metrics around things so that the traditional way you would think about enterprise risk management doesn't really operate, and we have to be more advisory, more consultative, more targeted in how we partner with the business, so connecting to parts of the organization that maybe have lower risk management capabilities and supporting those teams versus the impossible task of trying to manage everything. So we've really taken a journey from what I would call compliance to consulting during the time that I've been working on it at Hilton. So in terms of advisory or consulting, then, who manages risk? Hilton is blessed with a group of strong risk managers that reside within the business. They're the business people. They make the decisions about strategy, they make the decisions evaluating the risk, and they make the decisions about risk response. Our program is there to wrap around that, to support it, to document the important elements of it, but it's we don't own the risks. We don't manage the risks. We can be there as a devil's advocate to challenge them on their risk response, but it's firmly held with the business.

D Don Pagach 02:19

So how does the advisory practice work in real time, and what's your process?

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Sam Coster 02:25

So there's a couple of different elements. We have a full set of traditional annual activities, like a broad risk assessment process that commences with a survey, moves through what we call our deep dive conversations. So this year, we surveyed 260 executives in the business. We deep dive and have conversations about risk with approximately 70 executives in the business. So it's very immersive. So the first kind of quarter of the year is consumed with a thorough risk assessment process that comes out and concludes on our top risks. But also during that process, we are identifying and understanding what projects, initiatives and areas that the business are focusing on risk mitigation for the current year. And as part of that process, we will identify potential projects or decisions that an enterprise risk lens or a risk based assessment could be valuable. We then take that list of suggestions to the executive committee and ask them, Which of these 10 things would you like us to focus on, and from that, will we get an official remit of three to five projects, and then we will partner with the business on those three to five projects. So those that's kind of the formal process. There's also a lot of informal advisory that goes on, not just within the enterprise risk team, but the broader risk and resilience office. We're here as a business support function to help the business evaluate risk in any situation. So some of our teams focus on insurance based risk. Some of them focus on data privacy based risk. Some of them focus on physical security risk. And in the enterprise space, we focus on supporting mostly strategic business decisions. And that can be ad hoc. It can be, you know, we could go for two, three months, and nobody asks us to support them, and then suddenly something pops up. So it's very it's a very big mix of ways that we try and implement the advisory but the formality of having an official project remit as approved by the Executive Committee is our most recent change in terms of our operating model.

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Don Pagach 04:39

So I know risk risk culture plays a huge role in the new coastal framework, and I know risk culture is really important at Hilton. And how does risk culture really affect the advisory consulting role of enterprise risk?

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Sam Coster 04:53

It's interesting because we've seen our risk culture grow over the last few years. And we see indicators in the especially the survey results and the work that we do through our deep dive process that indicate that the business is getting smarter about risk in ways that we weren't expecting them to. So the advisory culture for us is one of now people are learning we're out there. They're learning that we can help they're starting to understand the skill set we bring to bear, the variety of skills that we can actually help them with. So we spent time in 2018 to develop a group of what we call risk advisory personas, which are ways in which we can assess risk in their project, and they we created cute names for them, like the Nostradamus, which is a long range risk assessment. And we have the devil's advocate when we want to challenge their assumptions. We have the general when we want to do scenario based testing or stress testing. We have the fixer, which is where, if they have a plan and they want to know if the plan is going to work or not, we can come in and test that. Then we have things like the networker, where we're helping them leverage our cross functional knowledge of the business. So from a cultural perspective, we we have a we have a very marketing based, consumer centric organization, so we've had to create that marketing based, consumer centric viewpoint for an

appraised risk because, you know, there's a very, very visceral reaction to anything that smacks like governance in our organization. So that's, that's where we focused our time and attention is on building something that fits our culture from an advisory perspective, with a little bit of pizzazz in the personas and the way in which we describe what we do for the business.

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Don Pagach 06:50

So you've prepared a lot of documentation for some of the groups within Hilton to explain the advisory role. Can you just tell us a little bit about that, and what's the feedback been from those groups.

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Sam Coster 07:00

The reason that we created some of that documentation is actually part of a broader risk office initiative. So our chief risk officer, Dennis, actually is trying to brand the organization of risk and resilience more broadly. So many of the teams that I've alluded to already, our risk management teams, our physical security teams have developed materials that help communicate to the business and explain their discipline, their function, their role in the organization, and how we're here to help. So the impetus behind us doing some of that was really part of the broader remit for branding. But yes, the things that we have spent time doing, the first thing is to rename the function and get out ahead of that, meet with executives, meet with different leaders around the business to explain to them why we changed the name, what the purpose behind our name change was. So we did a lot of communicating and platforming there and then in the latter part of 2018 having developed the advisory personas that I alluded to, we went to the next step and actually created a brochure that says, This is what we do for a living. So the front side of the brochure is essentially a synopsis of enterprise risk management as a discipline, explaining our vision and mission, and then a little bit about our annual process and a little bit about our governance. Again, don't love governance in our company, so we, we kept, we kept away from too much about the governance. Then on the back side, we describe each one of those advisory personas for the business, and say, We're here to help. Do you have a project that you think could benefit from one of these viewpoints being applied to it?

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Don Pagach 08:45

Thank you so much for sharing your story. Really appreciate it.

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Sam Coster 08:49

You're welcome.