

## **ERM VIDEO INSIGHTS**

### **Transcript of David Hughes and Bonnie Hancock Conducting Annual Risk Interviews**

**Bonnie:** Hi I am Bonnie Hancock Executive Director of the Enterprise Risk management initiative at North Carolina State's Poole College of Management, and I have here with me today David Hughes, who is Assistant Vice President of ERM and Business Continuity Planning at HCA Health Care headquartered in Nashville. So I understand that at HCA you have had ERM in place for a long time, over fifteen years which is pretty impressive and have been involved with our initiative for a long time so I appreciate that. But I also understand part of your process that's survived the test of time is the process you used to interview individuals in order to both identify and assess your risk at HCA. And so I was wondering if you could kind of just tell us a little more about that and tell us maybe start by telling us how many interviews you do and how often do you do them?

**David:** Well it gets a little bigger every year, it has been, and we do it once a year, this year we'll interview about a hundred and thirty people most of those face to face, some of them over phone and then we also survey other people within the company about two hundred and fifty other people.

**Bonnie:** Wow.

**David:** So you get a pretty big sample.

**Bonnie:** Yeah, that is absolutely that is a long list of interviews, about how long does each interview take?

**David:** Most of them take about thirty minutes, some a little longer, some a little shorter, but average is about thirty minutes.

**Bonnie:** Ok, so what kind of questions do you ask?

**David:** It's pretty open ended, we want to get to the discussion about risk. So there's three questions we ask, what are the top three business risks that impact HCA strategic goals and objectives over the next two years.

**Bonnie:** Ok so you tie it back to your strategic goals and objectives?

**David:** We do, and we don't look out more than two years, that they may talk about some of the risks out of the two years, but we try and focus on that two year period. And then we, after they give us their top three, we talk about what are the things that you are aware of the company is doing to manage or mitigate those risks. And then the third question is what we are doing effective, or is something else we should be doing that we are not doing now to help manage or mitigate these risk.

**Bonnie:** Ok, so you ask them the top risk, what are we doing to manage it and if it is effective or there is more that we should be doing. So how do you compile all that information. Seems like you would have a ton of information once you do that, how do you sort of boil it down?

**David:** That's really the most difficult part. We, you know, as we go through and talk about it we got risk categories. We got a risk university that we established years ago, and we send that out to them in advance, and that is kind of all the known risk to HCA that people have mentioned over the years) . They don't have to pick one from that list but that kind of gives them a starting to point and looking at here is some of the known risk and so we will fit it in to one of those categories. And part of the discussion is trying to make sure we understand which category it needs to fit in.

**Bonnie:** Ok so you know, I guess that will be one real benefit of the interview then as you can get enough color on it that you can Cause I think one of the challenges is you know one person describes the risk this way, and another one describes it completely differently but they they really are talking about the same thing. So does the interview help you to get out of that?

**David:** It does because the survey we use drop down boxes for them to pick from, they don't have to pick something from the dropdown box. But the survey is a little bit more defined and the interview it is sometimes they will talk about two or three different risks that is really you know, you have to pull those apart so, and the thing about the interview is it really helps you understand somebody's totally different perspective on the same risk. So in talking to the different people and different areas their perspective on one particular risk might be very different.

**Bonnie:** So what do you do think it is about this interviewing process we use that makes it so effective for your organization?

**David:** I think because they trust us they know that these are all anonymous. We don't put names on it. We use a lot of the quotes. Some of them have defined it as therapy, their annual therapy, because they get to talk about what keeps them up at night and

they hope that that word gets out so that we are doing more than to manage those risks that they are worried about. So I think they really enjoy doing those interviews each year.

**Bonnie:** So What do you do to keep them fresh to keep that therapy effective year after year?

**David:** You know the interviews are pretty much the same every year. We do pick different people, we don't interview exactly the same people. We do interview all the board members, all the senior leadership and then at corp and then all the leaders kind of one level down from that we kind of rotate and pick other people that are working on strategic initiatives that we know of in the company and then we also do the division presidents and CFOs and then we survey a lot of the other Os throughout the company. So we'll mix it up who we talk to each year a little bit so we can get some different perspectives and some fresh ideas.

**Bonnie:** Ok, and do you ever use like information you find out from one interview sort of ask about something specific in another one if you have heard something in another place?

**David:** We do, you start seeing the trends and you will hear something from one person and then if somebody else mentions it you might dig a little deeper because of that area that they are in, so that helps the interview process helps with that as well.

**Bonnie:** So, just to sum up maybe what piece of advice would you give to another ERM professional that is looking at using interviews, what advice would you give them to make sure those interviews are as effective as they could be

**David:** I think schedule them out, make sure you got plenty of time, don't do them back to back. that was one problem we had years ago. If you had run over then you're late for somebody, you don't want to be late for an executive. send them out some advance material so they can look at like the risk universe

...so that they can...

...and give them a good deliverable the year before. so, you know when we put our deliverables out we send that out to everybody that we interviewed and they always look forward to seeing that so that next year they know that if they say something significant it may be in one of the quotes in our book and they like that

**Bonnie:** Ok well great. Well David thanks so much for sharing your insights with us and

congratulations on sustaining a really effective ERM process over such a long period of time its been great being associated with you through the ERM initiative

**David:** Well thank you, and i really enjoy being a part of this because i come to the initiative, to the round table and have been for years. i get a lot out of it.

**Bonnie:** Well thanks you have been a presenter a few times too. Thank you for that as well.