Don Pagach:

- Hi, I'm Donald Pagach. I'm the director of research for ERM Initiative at NC state University. I'm here with Scott Williams from Lockheed Martin, and we are gonna talk a little bit about risk identification. So, Scott who's involved in the risk identification process and what kind of techniques do you use in that process?

Scott Williams:

- Right, Donald, there's really three primary ways we engage our leadership in the risk identification process. First of all with our executive leaders we do one-on-one interviews. We do that twice a year. Kind of a freeform conversation to get what's top of mind, what are the keys issues they see dealing with the business or affecting the business and our ability to achieve our objectives. We want to reach a broader population like our entire set of vice presidents. We'll use electronic surveys and typically those are fairly consistent year after year we ask similar types of questions, but then we also tailor those surveys to ask more proving questions about specific risks or risks that may be emerging that we want to get more insight into that could affect the business going forward. And then the third way that we engage our leaders in that process is with workshops and feedback sessions. So we will meet with leaders and their staff, for instance, to have a focused discussion around certain topics to kind of dig deeper into what's come out of previous surveys or previous assessments of risk, to make sure that we are understanding the impact and the effect that those risks could have on the business.

Don:

- So it looks like you really end up with a lot of information about the risks and how do you organize that information for the company and for your Enterprise Risk Management Program?

Scott:

- We try to organize that in advance, actually, in the sense that we have a risk universe it's a taxonomy of risk that are defined kind of around the domains of strategic risk, operational risk, finance and reputational or maybe more compliance oriented risk. Then within that framework there's a set of categories. So about 58 categories among those and then within each category we break it down further for what we call risk elements. So that's kind of an organizational construct for collecting information. In years past, we didn't have that construct so there was a lot of manual interpretation of the information we gathered. When we put that construct in place we find that we get more consistent answers by allowing people to kind of self identify where their issues are and then it's easier on us as well from a processing perspective, because a lot of that categorization is built in to the way we ask the questions.

Don:

- So, you talked a little about the categories, maybe in terms of risk identification, how do you identify new risks that might be on the horizon?

Scott:

- So, again, part of that sensing session is built around emerging risk or forecasting where risk may be going that we are currently monitoring. So that's one piece of it. We also do a lot of external benchmarkings, so for instance the NC State protiviti's survey we look at that every year and what we are looking for, when we are looking at that source, and other sources like the world economic forum, is are there gaps, are there blind spots in our own internal prosthesis? So things we may not be sensing or things that may not be registering with our leadership yet, but things we want to t-up as conversational topics with them. At least get them into the thinking and the radar scanning that they're doing as far as things that may be coming down the road that could affect the business.

Don:

- Excellent. Thank you so much.

Scott:

- Great. Thanks Donald.