

Keith Cureton

Mark Beasley:

Hi, I am Mark Beasley, I am the Deloitte Professor of Enterprise Risk Management at NC State University, and I am here with Keith Cureton, UPS, based in Atlanta. Keith, thank you for being here. We are going to talk to Keith a little bit about communicating risk information. Keith, when you think about UPS as a company, and the tremendous amount of information about risk, how do you communicate that within management and the board?

Keith:

I think that's always a challenge. We do a couple of different ways, Mark. One of the things we do is we create a profile around each of what we call strategic risk, and these profiles are really a snapshot in time of where we are with a particular risk. We always start with a statement, and we make that statement the same in each. So it begins with something like "there is a risk that", and then the risk itself, and then the kind of the consequences of that risk. So we always want to establish what the risk is and be very clear about that. We also then talk about this area of contributors, so what contributors do that risk. Because most of these strategic risks are not kind of silver bullet solution risk, where there is only one thing you do and it's over, it's rather broken down into things that contribute to it, so it's multiple things that may make up this risk. Then we look into things we are currently doing, and the things we plan to do. We also put with that a timetable around how long it's going to take to accomplish those mitigation efforts, and then we present that to the management community and the board. We ensure that we have transparency on that risk and have ownership, that somebody owns it, and that there is a, what we say, "a single neck to choke". It goes essentially to one person who really truly owns it within the organization. It also rolls up to a management community level person, a C-suite person, and we would say essentially say they are a sponsor, maybe not so much an owner, but a sponsor of it. It's your responsibility to kind of open the doors to make sure that the mitigation efforts that are proposed are followed through on.

Mark:

Is there some kind of template kind of form, standardized structure, or is it varying depending on the sponsor or risk owner who completed that information?

Keith:

It is what we call profile. In each of the risks that are identified, whether they be what we call a tier 1, which is a material risk, or an emerging risk, which we would define as a tier 2, they would be put on this profile format. We also have a tool, an online tool that we use to gather this data and information and then track it over time.

Mark:

And who is putting that information together? Is it the owner, or is the ERP group?

Keith:

I will tell you, the ERM group really helps to facilitate it, but it goes to the owner. So that single neck to choke person individual is really responsible for laying out the mitigation, and the approach to the risk effort.

Mark:

And it's that information the same information, the same form I guess, presented to the management team? Is that what's going to the board, or you condensed that down when it goes to the board level?

Keith:

It's really one sheet; that same profile is going to be what the management commitment is going to see, and also what the board is going to see.

Mark:

So is it one page?

Keith:

It's one page. It could be longer if it's a really complicated area, but what we don't want to have happen is it to become kind of project plan. We want it to be a high level. We know that most senior managers are looking at things very quickly, and we don't want to give them an extensive explanation of that risk, just a single, one page profile.

Mark:

Is that something that is presented, when you present it to the board, is that 10 of this, or 100? Could you give me a sense for volume?

Keith:

I think it fluctuates, these are the types of risk that takes years to kind of mitigate, so you are typically talking about 15 to 20 risks that are material level tier 1 risk, a few fall of each year, a few come on. It's not like it's 50 or 60.

Mark:

Keith, thank you for being here just to give us an insight of how UPS is trying to pull together information. When you think about pulling together risk across a very complex enterprise like UPS, you can be overwhelmed with information, and I think what I am hearing from you is, you found a way to simplify it, to give that high level view, in a structured way that provides some consistency across the risk, but it is an effective communication device. Thank you for being here.

Keith: Thank you.