

ERM VIDEO INSIGHTS

Transcript of Angela Hoon and Bonnie Hancock

Analyzing Root Causes of Risks

Bonnie: Hi, I am Bonnie Hancock the Executive Director of the ERM Initiative at North Carolina State University's Poole College of Management and today I have here with me Angela Hoon who is the executive Director of Strategic Risk Management at General Motors. We understand that General Motors has been doing a lot of work to get to root causes and to identify interconnections between risks, and so I really just want to talk to you a little bit more about what you are doing and how you are getting it done and advice you have for others. So I like to start by just asking you why did you start this process to try to figure out those interconnections.

Angela: Sure, I really been in General Motors just on two years, and as we started looking at our risks as we got there I realized one of the biggest risks to our program was actually not understanding the inter connector between risk. We were looking at them in a very *silos* functional fashion and that is great, management was understanding in that area but realized the cross over and the inter connectedness was actually something that could actually harm our ERM program. So we started looking at how could we get to the root causes, how could we look cross functionally at the risks, and understand better how to manage or mitigate them.

Bonnie: So how did you start doing that?

Angela: I went back to something I had seen internationally with a network of risk and we realized finding a consultant to help us but really got into network analysis. So we took an approach very cross functionally with teams to understand the risks and then we used a network analysis tool in the backend to actually model and come up with what were those nodes and what were those root causes but we made it a very facilitated manner so the business didn't understand the technical piece of it or get hung up on that.

Bonnie: So how did you decide which topics or trends that you want to look at as part of this analysis?

Angela: So we did a little better, we did a few pilots to start at. We did one that was very broad around brands and realized it was a bit too broad I got some good results help with our strategy but realized getting to the roots and the risk was actually hardest so we started honing in on some smaller topics. Recently we looked at cyber security in China and really a strategy around it but narrowing the topic we found actually became easier to get to your real root causes and your connected risks.

Bonnie: Ok, what kind of tools are you using to do this? Are they expensive? If is something that other people can use?

Angela: Yes, other people can use. So really one is the technique and ready facilitation.

It is understanding facilitation getting to a few risks twelve to fifteen. and then really we use an excel survey, just if one risk happens what is the impact and probability in which others risks could it make worse or would definitely connect to or trigger. So that's all free, on the back end we use a network analysis. So again you'll have to use need some technical experience to run through a model but really it is more about the facilitation and getting to the risks and then using a little bit of objectivity to actually then hone in on clusters and the root cause risks.

Bonnie: Ok, so as you went through this process were there any big 'a-ha' moments or surprises coming out of it?

Angela: I think the biggest thing is how the business gained the value. And some of that was having the right people in the room, the cross functional members who really understood the end to end and the cross functional piece and then really what I realized was having the art and the science mix. So having the objectivity of the results and then being able to translate them, the business like the objectivity piece but then we use techniques such as design thinking ready to help be creative to look at how could we mitigate, how could we manage that. So it was more about the process and the value the business gained actually really being able to get to the root causes and solve business problems versus coming up with the list of risks.

Bonnie: What advice would you have to other ERM leaders where most of them are doing kind of traditional sort of identify our top ten. What advice do you have for them, how to get started on this process?

Angela: I would say start it today... right away. It makes such a difference to the value, you know when you say where is the value of ERM, I found the value was the business understanding and getting involved and being able to solve the business problems, it made risk real, it didn't become that list of risks so the value was tremendous.

Bonnie: So did they really see the value in sort of making interconnections that they hadn't seen before?

Angela: Definitely and really getting back to the root causes versus the symptoms, so what we also realized is we were often looking at the symptom risk that you can't really solve and it is hard to solve but this helps the business understand they have got to go backwards and understand what is the real root causes and focus our attention, management, mitigation on the root cause and not on the symptom.

Bonnie: And that gets at managing it way earlier in the chain right?

Angela: Yeah, much more proactive and it really makes management feel they are solving the right problem versus something they can't control maybe that's the outcome.

Bonnie: Thank you Angela for coming here and share your insights with us, I really appreciate it.

Angela: Been a pleasure, thank you for having me.

Bonnie: You are welcome.