

## **ERM VIDEO INSIGHTS**

### **Transcript of Linda Milburn-Pyle and Bonnie Hancock**

#### ***Re-energizing the ERM Process***

**Bonnie:** Hi, I'm Bonnie Hancock, the Executive Director of the Enterprise Risk Management Initiative at the Poole College of Management at NC State University. I have here with me today Linda Milburn-Plye, who holds the dual role, of both the Chief Audit Executive, as well as the Chief Risk Officer at Advanced Auto Parts. Thank you Linda for joining us today. Glad you could come and share your experience. I understand that you started about a year and a half ago with Advanced Auto Parts and they have an enterprise risk management process in place there, but what we really wanted to do today was kind of get your perspective and what your experience was, how you approached coming in new and looking at an enterprise risk management process that had been in place already.

**Linda:** Sure, I really enjoyed walking into an organization that was already culturally aware of enterprise risk but wanted to take it to the next level and that allowed me to look at the foundation that was already built and continue building and highlight some of those areas that the company wanted to focus in bringing cultural awareness, as well as, enterprise risk topics to the forefront of everybody's discussion. So it's been a big culturally transformation, as well as, the nuts and bolts of building a program.

**Bonnie:** How did you go about, sort of, prioritizing what you wanted to do to kind of put your experience, your stamp, on the enterprise risk management process?

**Linda:** Fortunately, at the time, the COSO framework, was just about being released. So I took many frameworks and pulled out of those frameworks what I wanted to use the most. We ended up with a blend of the COSO framework, as well as some other areas, and that combined with the traditional risk assessment, so that we did across the company. We started off with seventy-five interviews in two thousand seventeen, and grew that to about two hundred in two thousand eighteen to really get an understanding of where the risk for the company was established, and where it needed to go. And from there we were able to focus in on, as cursor points out, the strategic tie between risk and how you're going to manage those risks tied to strategy. That's how we prioritize. We were able to come out there with our top fifteen risks we were focusing on as a company.

**Bonnie:** You really prioritized around the risk as they related to the strategy, and what were the most critical to achieve in the company's strategic objectives.

**Linda:** That's correct. That helped resonate the concept of risk with many executives in the company, as well as the board. Because if you weren't going to mitigate one of those risks, you were directly going to impact the strategy, which was clearly important to the company.

**Bonnie:** You almost answered my next question with some sensing there, but you know, did you have any situations where you really had to try to get people more interested in ERM? That maybe they were just like, I don't want to talk about that too much?

**Linda:** Yes, culture is a hard thing to change. And one of the things we experienced across the company, is people manage risk as part of their day-to-day jobs. That's really what people get paid to do. The resistance came in the form of why do we need to formalize this? Why do I need to go through templates and documentation and then extracting out what we think are truly relevant and how this ties to strategy. People were doing that as part of their job, but nobody was really bringing this together in a holistic fashion across the company. Across all of the enterprise activities going on and that's helped our executives focus in on those top strategic risks as well.

**Bonnie:** Ok, well any other challenges you've faced? You've talked a lot about culture, making sure people see ERM in the context of strategy, other challenges?

**Linda:** Challenges around data and its really as a result of what data is pertinent for our management of risk. When you extract data and you analyze it, I always ask the question, so what. What is this data telling us? Not only the process of extracting the data but then actually analyzing it to bring it into some sort of meaningful perspective for the company. And we try to build proactive KPI's. forward looking KPI's rather than the look back KPI's where there was little time to react. So that's been a growing point for us as a risk team in trying to develop these forward looking indicators that are going to help us sense risk more than just deal with what's already happened.

**Bonnie:** So definitely something that sounds like a work-in-process moving forward.

**Linda:** Yes. There's always more to do and that's a good part of risk management. The business is changing and that presents us more opportunities to work closer with the business.

**Bonnie:** Any other things you have on the horizon or on your wish list where you want to move ERM?

**Linda:** One thing I would like to do is to get risk into more of the everyday speak of all of our company, what we call them, team members. And if any decision to be made, if we could get that mindset of risk embedded in everyday conversation, that would a fabulous goal. You know the big things are easy to take care of because you're able to know about those and talk about those socially, but it's the everyday, if we can get into the mindset of people to really start embracing risk and risk management and to get people to see the benefits of managing with that strategic risk lens, that to me would be a huge hurdle to overcome.

**Bonnie:** Making everyone a risk manager, right?

**Linda:** That's right, that's right.

**Bonnie:** Anything else you want to add? Anything else I didn't ask, that I should have?

**Linda:** I think reporting is a crucial element of any risk program. And what's been part of our success at Advanced, has been tailoring that reporting for the audience. For example, the board may want to govern risk completely differently to the way that management wants to at least view and look at risk. It took us a while to build up that level of reporting not only for the board but also for management and drill down in those areas that were applicable. And I think that's an important point for any risk management team to think about who your audience is and what are you trying to tell them and what do those reports actually capture. We are going to be automating our process later this year, that's a whole other set of challenges but I'm looking forward to less routine, data driven exercises and more of a everyday work flow.

**Bonnie:** Great. Thank you so much Linda for sharing your insights about taking a fresh look at an ERM process.

**Linda:** Thanks