The RIMS Strategic and Enterprise Risk Center presents:

Dinesh K.S.

Assistant Vice President and Global Head of Enterprise Risk Management at Cognizant

TIGHTENING UP ERM AT COGNIZANT

By Russ Banham

RIMS

In 2008, Cognizant launched its initial ERM program, encouraged by the multinational corporation's board of directors as a way to address the ongoing financial crisis. Founded in 1994 as the in-house technology unit of Dun & Bradstreet, the company was spun off in an initial public offering in 1998. Cognizant hit the ground running as a leader in the global technology, consulting and operations services market and became a *Fortune 500* company in 2011.

The company wanted to modernize the program and two years later, appointed Dinesh K.S. to lead the company's ERM program. Dinesh previously was the head of ERM at Infosys, an India-based provider of IT and consulting services. His work has clearly made an impact, as Cognizant was presented RIMS India ERM Award of Distinction at RIMS Risk Forum India 2019. RIMS sat down recently with Dinesh to discuss the most important elements in the evolution of Cognizant's ERM program.

RIMS: When you arrived to lead ERM at Cognizant, was it in need of an overhaul?

Dinesh: Actually, the program was good at identifying risk, with a fairly decent bottom-up approach. My task in part was to tighten up the risk identification process, which is common when a company expands as quickly as we did. From 2008 to 2013, we experienced a 25% compound annual growth rate, which is pretty remarkable. We entered new geographies, served new types of customers, and developed new kinds of contracts. Our headcount rose steeply. When a company grows that fast, everyone thinks all is well. And that's a problem.

RIMS: A problem in the sense that success tends to make companies' overly complacent about their risk profile?

Dinesh: Yes, which explains why my first responsibility was to strengthen our risk identification process to ensure we didn't have any negative surprises. I had to think of ways to refine the customary risk identification methods and create new ones—a mix of top-down and bottom-up processes.

RIMS: What was the first thing you did in this creative process?

Dinesh: We developed a hub-and-spoke ERM model, where different people involved in our legal, corporate planning, security and immigration risks served as the 'spokes,' responsible for identifying risks and putting together the risk assessments. They became the go-to people for management, the 'hub,' regarding the risks in their specific areas.

RIMS: That makes sense. Could you elaborate on the sort of immigration risks you were watching?

Dinesh: I was referring to immigration laws in different countries becoming stricter, which has an impact on our strategy and operations. We have a global delivery model based on offshore outsourcing and software research and development, with a number of offshore development centers outside the U.S., as well as near-shore centers in the U.S., South America and Europe. We've traditionally deployed talented people to the U.S. to other countries, and obtain visas for them to work at various locations. Stricter immigration policies hinder our ability to do this, thus creating strategic and operational risk. We're managing the risk by hiring local people and training them, with a goal of hiring 90% local nationals going forward.

RIMS: That is a great explanation. Following the development of the hub-and-spoke risk identification model, what other new ERM plans were put forth?

Dinesh: The second detail pertained to our line of business operating model. Our business is organized around industry verticals like banking, insurance, healthcare, manufacturing, communications and technology. There are 13 total. We decided to develop risk management teams for each business unit.

RIMS: That sounds like a lot of people.

Dinesh: It is. Approximately 50% of additional staff was recruited from outside the company, and in many cases from totally different industries. I wanted a good blend of outside people with general business and industry knowledge, given the different verticals we serve. This way we can have very healthy risk-related discussions. If they did not have risk management expertise, we didn't consider that a problem, as we would give them ERM training, tools and our framework. Their job is to report to their business unit leader, identifying and assessing risks and advising them accordingly.

RIMS: Having a network of risk managers sounds great and is certainly atypical. What are some of the benefits of this network?

Dinesh: The first benefit is that when you're close to a particular business, it's easier to track and trace the origin of a risk, helping you manage it more quickly. Secondly, we can aggregate risks across the different teams to get a very clear picture of the risks that are common across the organization or specific to a particular business unit.

RIMS: Can you provide an example?

Dinesh: Sure, take our healthcare clients' risks. This is a very highly regulated industry, with strict rules governing patient privacy, for instance. Other industry verticals are not nearly as highly regulated. Consequently, in creating products and solutions for this vertical, the regulatory risks must be highlighted to allow for a heightened level of executive intervention, to ensure enterprise strategy is executed and achieved.

RIMS: What might be an example of an intervention?

Dinesh: For one thing, the analysis of the healthcare vertical's risks might suggest a need for additional talent and budget to manage the compliance risk. Plans are then put forth to provide it.

RIMS: Given the hub-and-spoke model you mentioned earlier, is there an opportunity for risk managers who learn something in one area to pass on this knowledge to professionals in other areas?

Dinesh: Great question. In fact, we encourage such cross-pollination. For example, one of our business unit had fantastic contract management processes. We actually accumulated this knowledge into a case study we published to assist other units in managing the contracts in their verticals.

RIMS: We've been discussing risk identification and assessment. I'm sure the RIMS membership and the global risk management community will be interested in learning how these improved processes accelerate the velocity of risk reductions.

Dinesh: Identifying a risk creates a sense of urgency to do something about it. In other words, it ensures that mitigating actions happen on a faster timetable. More to your point, one thing we've done is appoint an executive-level owner for each enterprise-wide risk. They own the risks, insofar as managing them. They're all in top management positions and include both business unit leaders and CXOs, such as the chief operating officer and chief financial officer. Another thing we did was change the reporting to the board, developing a dashboard format that highlights key risk indicators and related mitigating actions. This way both the board and management have more visibility and clarity around what is happening with a risk, whether or not the interventions are working. But I'd say the most important change we made is creating risk goals for all leaders.

RIMS: How did you create these goals?

Dinesh: Basically, we made sure that everyone's specific business forecast lists their risks and their goals to mitigate these exposures by a certain date. This creates accountability, a sense of urgency and velocity in implementing the risk reductions. Without setting goals, specific outcomes are hindered. For example, the chief operating officer is the risk owner for immigration risks. The sooner strategies are put forth to add more local nationals, the better we

Dinesh K.S. accepts the RIMS India ERM Award of Distinction at RIMS Risk Forum India 2019 on behalf of Cognizant. The award was presented by RIMS CEO Mary Roth and National Insurance Academy (Pune) Director Mr. G Srinivasan.

can respond to this exposure. In fact, the COO and other risk owners carry around a goal sheet. If they do not achieve the goals, if affects their bonuses. That's real accountability.

RIMS: Any words of wisdom you'd like to pass on?

Dinesh: Good risk identification and increased velocity of risk reductions also help us maximize business opportunities. You don't want an ERM program to be merely a policing function, with controls that say you can or cannot do something. We're just now establishing our enterprise risk appetite at the board level. The next frontier in our ERM journey is to help business leaders understand the risk appetite in their respective areas to make better decisions about where to take on more risk. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.