NYU: ERM GOES GLOBAL

By Russ Banham

RIMS: One would think that an esteemed university as vital and significant as NYU would have embraced ERM a long time ago. But, as we understand it, you introduced the program only four years ago. What took so long?

Liebowitz: Funny you should ask. The impetus for ERM was that we had little more than a broken-down insurance department when I was hired here nine years ago. The department bought insurance and handled some claims—that was pretty much it on a day-to-day basis. I quickly instituted a risk management component, and we were now called the ‘insurance and risk management department.’ But, we really weren’t practicing risk management.

RIMS: So it was just ‘risk management’ in name only.

Liebowitz: Correct. I started bringing up the subject of ERM my second year here and was immediately told to let it go. ‘That’s nothing but three letters,’ my boss said. ‘We’re not doing it.’ But, I don’t easily take ‘no’ for an answer and am a pretty tenacious guy, especially when I know something is right.

RIMS: And ERM was right. So what did you do next?

Liebowitz: I told him that someday the board would be asking for ERM. ‘Just wait and see.’

RIMS: What made you say that?

Liebowitz: Because I could see that we had a lot of debt. (Writers note: In 2010, NYU reportedly had the highest student debt load in the nation). Having been a former RIMS president, I knew that ratings agencies like S&P and Moody’s were developing strategic and operational risk criteria. And they would eventually come into this organization to test how well we were managing our risks based on the new criteria. Finally, about four years ago, the senior management team did as I predicted they would. I was told to develop ERM and have a good time doing it.

RIMS: So you were off and running.

Liebowitz: Not exactly. I was told to implement ERM just in finance to start, and I was given no extra money or staff to do it. Nevertheless, it was a beginning. So I took our existing risk management structure, what there was of it, and altered it according to ISO 31000. We built the framework by answering the usual questions like ‘What keeps you up at night,’ and then developed the risk taxonomies and scoring methodologies. The program has continued to evolve since then.
RIMS: In what ways has it evolved?

Liebowitz: About 18 months after we started, our audit committee chair came to me and said we really needed to expand our thinking and implement ERM not just across the organization here in New York City, but across NYU’s operations worldwide. Bear in mind that NYU is a megaprogram. We’re really nine or ten different entities. The undergraduate school has its own identity, as does the business school and the law school and the art school, and so on. Each has its own administrative tower with different operations and management. Layer on top of this 13 wholly owned international sites in Sydney, Shanghai, Abu Dhabi, Florence Italy and other global locations—all of them brick-and-mortar, on-the-ground campuses offering the same degrees we offer here. It was a big request, needless to say.

RIMS: And you didn’t buckle under the strain?

Liebowitz: Not really, because it was the right direction for us to take. I just needed to take a very big task and make it simpler in execution, leveling the playing field somehow. I did that by coming up with a common taxonomy so everyone around the world would be using the same language to classify risks. We put together educational slide decks so people could understand and learn about the ultimate risks. This way my reports to senior management would have greater consistency and utility. We also identified someone in each organization as the risk champion. Whether they were in China or Dubai, they all worked off the same rulebook to know what their deliverables were. But, how they chose to operationalize risk management in their organizations was left up to each of them.

RIMS: So everyone played by the same rules, but found different ways to manage risk based on their respective operations?

Liebowitz: Yes, that’s why we chose ISO 31000 and not the COSO Framework, which is more restrictive. We needed more flexibility, given the cultural complexity of our global organization. We then used technology to manage it all, purchasing an enterprise technology platform for global users. While (campuses in) Abu Dhabi and Shanghai have their own data and can’t see each other’s data for security purposes, I can see everybody’s data.

RIMS: Do each of the dashboards combine at some point into a cohesive set of risk-based information?

Liebowitz: Yes, everything is stored in our ERM data warehouse. Using the previous example, I can see the percentage of completed risk mitigations across the enterprise. I then base my reports to senior management on this information.

RIMS: What’s next on the agenda?

Liebowitz: Some sites aren’t as sophisticated as other sites, and we still need to provide a bit of handholding to get them to submit what we need. But, we’re only halfway into the implementation. We’ve got another four more years to go. Right now, our technology solution is rolled out to only 30 percent of the enterprise, and only half of them have their data in it. It’s expensive to give everyone a license, so we plan to do some of this internally for the time being.

RIMS: Based on your experience to date, do you have some advice to pass on to other risk managers, particularly those at the onset of implementing an ERM program?

Liebowitz: Know where your exposures are first. Then, you can align your operations to mitigate them. Sounds easy, but it isn’t. We have two campuses—I’m not going to tell you which ones—that had very different experiences. In one, all the exposures were identified as best they could; in the other it took much longer to figure them out. The first campus was up and running with ERM from day one, whereas the second continues to endure fits and starts. My advice is to realize that this is a process that takes time. Patience is needed.

RIMS: Looking forward to the next four years of implementing the program, what are some of the key priorities?

Liebowitz: Well, the first priority is to keep the train moving forward, getting each or our organizations to focus more closely on risk mitigation. Right now, it seems we’re spending 80 percent of our time doing risk identification and analysis, and 20 percent doing risk mitigation. I’d like to get to a better ratio, whatever that is—50-50 or 20-80. We now have more oversight from the board, and they have more responsibility for what we are doing. That’s a good thing. And we have better reporting. The truth is we’ve come a long way in a pretty short time.