CLEAR OWNERSHIP AND ACCOUNTABILITY FOR RISK AT INTUIT

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RIMS

In 1983, startup company Intuit introduced Quicken personal finance software to simplify a common household chore— balancing the family checkbook. Today, Intuit is a $4 billion enterprise with three flagship products—QuickBooks, TurboTax and Mint—revolutionizing how people manage their personal finances, run a small business, or pay employees.

Intuit's corporate profile states that the company has a firm belief in the power of people to "do more and be more," becoming "the masters of getting it done faster, better, and more efficiently than ever before." This philosophy of mastering a process extends internally to Intuit's Enterprise Risk Management (ERM) program, which is led by Chief Risk Officer Janet Nasburg.

Nasburg served for 16 years in multiple finance roles at Visa Inc., most recently as senior vice president and corporate controller. Her wide-ranging oversight responsibilities for the Office of Finance included internal audit and Sarbanes-Oxley (SOX) compliance, the latter an important step toward Visa becoming a public company in 2007. One year later, she followed Visa's CFO R. Neil Williams to Intuit, where Williams had previously assumed the CFO post.

Nasburg's successful implementation of Visa's ERM program led in part to her hiring at Intuit to develop and deploy the company's ERM program. RIMS recently sat down with the Chief Risk Officer to discuss her approach to ERM.

RIMS: Thanks for joining us today, Janet. Visa was a private company owned by member banks when you hired on there in the 1990s. Did the company's plans to become a public company have anything to do with the decision to develop an ERM program?

Nasburg: Even though it was early in the game for both SOX compliance and ERM, we were well positioned in both. We held ourselves to the same standards as our member banks and had a strong financial risk management structure in place. Financial risk is only a part of ERM, which extends also to operations, strategy and reputation, all of which were critical to the success of the company. Most companies at that time were focused largely on the operational risks. We were early movers in pushing the boundaries to examine risks beyond this scope, to be forward thinking about risks holistically.

RIMS: When you came to Intuit, did you essentially put in place the same ERM structure you had implemented at Visa?

Nasburg: ERM is not `plug and play.' It has to be tailored to a company's particular risk profile. ERM was a priority, but they were having `fits and starts' incorporating it enterprise-wide. I was asked to come on board as the Chief Risk Officer to guide the ERM implementation.

RIMS: What was different about Intuit from an ERM standpoint?

Nasburg: We're a financial technology company, with desktop and online products and services. Consequently, the risks are very different. What I had done at Visa did not fit what needed to be done at Intuit.

RIMS: How did you begin the process that led to the ERM implementation?

Nasburg: I started by learning everything I could about the company, doing research to understand the lay of the land. Then, I went around and interviewed the senior leaders to get their thoughts, not so much what our biggest risks were, but more for me to understand how they talked about risk in their business area—the things they were struggling with. These didn't even have to be `risks' in the classic meaning of the term, but really what they considered to be their challenges. I took this information from across the company and sifted through it to discern the common touchpoints.

RIMS: Did the interviews provide a clear window into the truly important risks?

Nasburg: Once I had listened to everyone and made sense of the feedback, I framed it up (for the senior leaders) to ensure I'd heard correctly. I wanted to pressure test that what appeared to me to be the major challenges resonated with them across the business. It did, giving me the confidence to build a framework for how to look at our risks and establish our risk philosophy.

RIMS: Did the framework indicate how best to manage top risks and who in the organization would own them?

Nasburg: The framework laid out the touchpoints and the operating mechanisms to manage them sustainably. ERM is a cycle starting with the touchpoints or top risks and where they reside, such as at the Intuit level or an individual business level. Once they're identified, they're embedded into our strategic planning process. The operating mechanisms pick up from there. These are our annual assessment of top risks, and the monitoring and reporting of how the top risks are currently being managed and how we can improve this. We provide regular reports on these mechanisms to the senior leadership of the organization and quarterly reports to the board.

RIMS: These were all new processes?

Nasburg: The ERM processes were new but were integrated into the existing strategy and planning process. With regard to your question on risk ownership, there is indeed clear ownership and accountability for the top risks at both the senior management level and across each of our businesses. This is then aligned with specific board committees to ensure effective (board) oversight. In other words, we make sure there is transparency at the board level into our risk portfolio, so they, too, have ownership.

RIMS: What do you mean by a 'risk portfolio?'

Nasburg: It's a collection of the inherent risks in our business that was developed from risk conversations around the company. The risks in the portfolio fall into different categories like 'strategic,' 'product and technology,' 'compliance,' 'financial' and 'operations.'

RIMS: You had mentioned continuous improvement as an important piece of the ERM program. Please elaborate on how this occurs.

Nasburg: Well, one example is the risk assessment model. As I mentioned, I went around the company to interview senior leaders my first year here. The next year, we used Excel spreadsheets asking everyone to assess the likelihood and impact of risks. We then manually compiled this information, and aggregated it up to the Intuit and business unit levels. Afterwards, we had discussions with senior leaders to finalize the top risks. As you can imagine, that was a long process requiring a lot of time from our leaders. In the spirit of continuous improvement, we worked with internal software developers to create an innovative application that made it easy for leaders to go online and provide their input and the application aggregated this information in real time. By not having to take a month to aggregate the data to prepare the reports, our leaders have the freshest information possible for planning purposes.

RIMS: Other than ease of use, were there other benefits to the online app?

Nasburg: Yes, many. What was especially gratifying was being able to see what leaders were thinking about when it came to risk and how this was changing over time. We later added a chat capability to the app to encourage leaders to share their thoughts on risk. For me, this was extremely important to get everyone engaged in a continuous discussion about risk.

RIMS: Why was this important?

Nasburg: Well, not only does it strengthen our overall risk management capabilities, it builds risk acumen into the DNA of our people and embeds risk management into our culture.

RIMS: Has this paid off in an improved management of risks?

Nasburg: A few years back, we did a pulse check asking our senior leaders to self-assess their risk management capabilities in their respective business area, and realistically grade where they stood. We asked, for instance, whether or not they considered their practices to be at mid-level and what it would take to get it up to a world-class level—that sort of thing. This information was then shared with the business lines, allowing for even deeper discussions about risk across the company. We now do these self-assessments on an annual basis.

RIMS: Sounds like a great idea. By sharing what is working well in one area informs other areas of these best practices.

Nasburg: Exactly. We did a lot of iterations of this to come up with something that they could really learn from. ERM is not static. Not just your risks, but how you effectively address them, are constantly in motion.