



Jeff Matsen, Vice President, Enterprise Risk Management, Edwards Lifesciences

REALIZING STRATEGY THROUGH ERM

By Russ Banham



RIMS

The roots of Edwards Lifesciences stretch back to 1958, when its founder Miles Edwards set out to create the world's first artificial heart. The entrepreneurial Edwards was a 60-year-old retired engineer with a background in hydraulics who held 63 patents. Although his blueprint for a mechanized heart was deemed too complex, his subsequent work led to the develop-

ment of the Starr-Edwards mitral valve, the world's first commercially available artificial heart valve.

Since this auspicious beginning, Edwards Lifesciences has grown into a global leader in innovative treatments involving structural heart devices and critical care monitoring in over 100 countries. The public company tallies roughly 13,000 employees worldwide and continues to lead the field in tissue replacement heart valves.

Risk management has always been a strategic priority at the company, given its development of life-saving medical devices. RIMS recently sat down with Jeff Matsen, who joined Edwards Lifesciences as its vice president of ERM in 2015, to learn about his innovative approach to the subject. Previously, Matsen was the director of ERM at GE Healthcare. Earlier in his career, he was a Captain in the US Army with a specialty of military intelligence.

RIMS: Thanks for joining us today, Jeff. What's unique about ERM at Edwards Lifesciences?

Matsen: The leadership team through the years has embedded in the culture an emphasis on the patients we serve. Consequently, the company's strategy and our focus here in ERM is on the patient. Edwards' technologies are driven by our goal to generate treatment breakthroughs on behalf of patients' safety and wellbeing. In ERM, I continually come back to this objective as our guiding light. If we get that right, then our ability to manage our risks will fall neatly into place.

RIMS: What might be some of these major risks?

Matsen: Regulation is a big one. We're in a highly regulated industry, given our development of medical treatment devices like tissue replacement heart valves. A key challenge with regulation is its dynamism; hence staying on top of changing regulations is paramount. Since we're a global company, we've put teams in place across the world to get ahead of and report on emerging regulatory developments.

RIMS: Aside from regulatory compliance, what other risks are on the radar?

Matsen: Our ability to develop and deliver innovative products to the market in a routine cadence is another strategic risk we need to manage as a company. We have a milestone approach to investing in product development, which creates execution timing risks across the stages of development. Having visibility into the key performance indicators as they relate to product introduction is an important focus of ERM.

RIMS: Based on your comments, it looks like the ERM program is tightly integrated with corporate strategy. Many companies struggle to integrate ERM and strategy, however. Did you encounter any difficulties?

Matsen: That's a great question, as strategy is indeed a point of focus in ERM. When I joined Edwards in 2015, we didn't really have a full-spectrum ERM program. Although we did have a Risk Council, there was no ERM leader. My position was created to deliver this program. I was empowered to help design the plan and integrate it with our strategy. In doing the latter, I knew that many ERM programs were challenged by prematurely focusing on what can go wrong. I believe the right starting point is to focus on what must go right for the strategy to succeed.

RIMS: Could you elaborate on what you mean?

Matsen: Yes, what we do is study the core assumptions of the business model and growth strategy to discern what must go right. An 'assumption' might be the estimated timelines for product approval by regulators.

We're dependent on these approvals. Once the estimates of the timelines are created, we track them very closely to determine if we'll be able to maintain the (product) launch timing as planned.

RIMS: So ERM essentially helps ensure the core assumptions for something to 'go right' indeed go right, which requires evaluating the risks standing in the way. Do you pursue this approach with risk owners across the organization?

Matsen: We do. During this process, we need access to business leaders to understand their strategic goals and assumptions. As ERM leaders, we're well positioned to determine the risks affecting their respective assumptions. We then develop a core list of risk indicators that we track. This way, we can quickly detect if their assumptions are beginning to go off the rails.

RIMS: We're interested in how your previous career as an Army Officer and West Point graduate has informed your work in ERM. Are there any specific skills sets from your days in military intelligence that are useful in your current work? *(As a U.S. Army Captain from 2000 to 2005, Matsen produced analytical reports advising military leaders on the risks confronting missions.)*

Matsen: I do think my experience in military intelligence—those competencies—translated well into my ERM leadership role. During my military service, I helped plan for battlefields that were dynamic. I was in a very high-stakes, high-stress environment, advising military and diplomatic leaders on the changing (battlefield) risks, from the weather conditions and the terrain to emerging threats. My task was to identify the best opportunities for success and the greatest risks to our plans, assisting leaders to make the most effective and efficient decisions. In many ways, this is very similar to my work today.

RIMS: Both involve risks to the health and wellbeing of people during a period of crisis.

Matsen: Very good point. If I may, I'd like to pass on to the readers some of the lessons we learned during a particular period of crisis—our response to Hurricane Maria in Puerto Rico, where Edwards Lifesciences has a manufacturing facility. As the ERM leader, I oversee our business continuity process.

RIMS: By all means, please do. *(Hurricane Maria was a Category 5 hurricane that devastated Puerto Rico, the Virgin Islands and Dominica in September 2017)*

Matsen: First of all, the facility experienced flooding and damage by the hurricane. We have a strong leadership team on the ground that took great care of our employees and the local community during and after the disaster. Our job in ERM was to determine how to recover our operations in a very dynamic situation. Again, this all goes back to our strategic focus on the patients we serve. We needed to ensure they—and the hospitals where there were patients—received a continuous supply of our products.

To deliver on this promise, ERM swiftly partnered with the global supply chain leaders to help the local team in Puerto Rico manage the incident. We built a command and control structure, established daily planning meetings, and set support objectives. I brought the rigor needed in these meetings, and working closely with the team, this led us to recover our operations much better than other companies similarly devastated by the disaster.

RIMS: It's pretty obvious that your former military career assisted the success of the post-disaster effort. As someone well versed in working with military officers and business leaders to achieve set objectives, how do you forge needed personal connections to attain superior outcomes?

Matsen: I agree that personal connections are crucial to success. One of the reasons I feel very fulfilled in this job is that I get to work with a lot of talented people – experts in their fields; I'm sure other ERM leaders have the same feeling. A big part of being an ERM leader is to listen to the risk owners throughout the organization. While we've developed a solid central risk management framework, we serve the needs of our leaders in IT, supply chain, legal, and so on. They all speak their own language, which you need to learn. Frankly, they don't want to hear a bunch of risk theory jargon from ERM. What's important is that I appreciate what they see as the risks affecting their assumptions. This requires that I become an active listener and take the time to understand their business models and concepts, which I enjoy learning about. Once you translate these risks, you can incorporate them into the central ERM framework. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author who writes frequently about risk management.