



## Episode 6: Jackie Hourigan Rice, executive vice president and chief risk and compliance officer for Target, on creating a smart risk culture

### Transcript

**Mike Kearney:** Target is probably one of the best-known brands in the United States. And I will tell you from my family—my family of five—we go to Target all the time. My wife is probably there every week and my guess is most people listening probably go there quite often as well. And part of the reason is that they have such a great store, such a great brand. But that brand was tarnished a bit in 2013 when they went through the cyber breach.

And a lot has changed since that time. Almost immediately after—I think it was four or five months—they brought in a new CEO, Brian Cornell, from the outside to really lead Target to the next level. And Brian has made a lot of changes over the last few years; a hyper focus on the guest and really making the experience, both digitally and in the store, great. There's also been a focus on discontinuing operations in Canada and partnering with CVS to create a great pharmacy experience. One of the things that's probably not talked about that much is what they've done to really transform how they manage risk and compliance and get ready for the next crisis.

**Jackie H. Rice:** Historically, there may have been a feeling that the company was too risk-averse. And so how do we equip our teams to feel comfortable taking risks, failing fast, learning from that, and then, again, hopefully taking the next risk in a smarter way?

The beautiful thing about where we are with our program at the moment is, because we are evolving, we can try different things. And we can try it, and if it doesn't work, that's okay. As long as we learn from it and bake those learnings into whatever we decide to do next.

**Mike Kearney:** Welcome to *Resilient*, where we hear stories from leaders on risk, crisis, and disruption, and we get those stories by jumping in a plane and meeting the leaders on their home turf. My name's Mike Kearney and I lead Deloitte's Strategic Risk practice. When I started this

podcast, the objective was really to hear from resilient leaders on their stories and how they navigated risk, crisis, and disruption. And we are absolutely getting those stories. But what we are also getting is insights into what makes great leaders great. And today is no different.

I am truly blessed to be speaking with Jackie Rice, the chief risk and compliance officer at Target. And Jackie was brought in by Brian Cornell in December of 2014 to really transform how Target manages risk and compliance. I have had the great opportunity to get to know Jackie over the last year and she has done some incredible things, really to use risk as a way to improve performance and to protect Target from other risks that may come up in the future. And she has done this by doing a few things that you're going to hear about today. First of all, she has taken a very pragmatic approach to risk and compliance. She's also been focused maniacally on bringing value to the business by integrating risk into business processes and not putting risk as a bolt-on, which is done at many organizations. And maybe most importantly, she has partnered with strategy really to identify and manage the most important risks to an organization's business: strategic risks.

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**Mike Kearney:** So Jackie, you were brought in, in December of 2014, the first chief risk and compliance officer. And I'm really curious because Brian had made so many changes over the first couple of years. One of the big ones was bringing you in. What was his vision? What was the board's vision for your role? What were you going to do?

**Jackie H. Rice:** I think Brian had a clear vision for ... he was making a number of changes, to your point. And the merger of these two roles seemed to make sense. It was something that the board had discussed. And there were a lot of synergies between the work that we wanted to do around risk and the work that we wanted to do around compliance. Obviously, I think, in my view, really visionary from Brian's perspective to combine the role, make it part of the leadership team, which is really important for me as I was considering...

**Mike Kearney:** And you're a direct report to Brian?

**Jackie H. Rice:** I am. Yes.

**Mike Kearney:** Yep. Which is important.

**Jackie H. Rice:** Absolutely. Critically important. Direct report to Brian and also report to the risk and compliance committee of the board. Both of those were ... to me, being in the risk and compliance space, you have to be integrated with the business and have a seat at the table so that you can be part of the discussions, understand strategically where the company is headed, and then kind of mold your risk and compliance program to support and enable that.

**Mike Kearney:** So Jackie, you had an awesome career before joining Target. When you were looking at the opportunity, what were some of the things that stood out? Why did you take the job?

**Jackie H. Rice:** I have been incredibly fortunate in my career. I think when Target called, I was intrigued. I've always been a huge fan of retail, which doesn't bode well with my husband at times, but big, big fan of retail. And it was actually when I came to the Twin Cities and walked into headquarters, the energy and the enthusiasm was infectious. And it was unlike anything I had experienced. And so that was one major draw for me.

The other draw for me was I had a number of years of compliance and legal experience. Risk was a somewhat new area for me. And I'm always looking for things to learn and to kind of stretch myself professionally. And so the combination of these two roles, the fact that, while there were really good things in place at Target, we were kind of building a function from the ground up was also very attractive. And then finally, again, having a seat at the leadership table was critically important and made the job that much more interesting.

**Mike Kearney:** Yeah, I think that's an important thing because we deal with CROs and chief compliance officers all the time. Probably one of their biggest complaints is that they don't have a seat at the leadership table, they don't necessarily report to the CEO. So it makes their job that much more difficult.

**Jackie H. Rice:** Absolutely. And the one thing on the flip side of that, I think once you have the seat, you have to prove that you deserve the seat. And you also have to help the rest of the leadership team, executive team, understand what your role is, where you should play, where they should pull you in. It's not as intuitive at times. And so that has been a learning for me that I continue to work on in my current role.

**Mike Kearney:** It's funny just going back to your comment about when you walk through the doors at corporate. I was with our podcast producer from Rivet Radio, and he made the comment, he said, "Wow. This feels kind of like a startup. There's so much energy." And just for anybody who hasn't been to Target, just to see the youthfulness and the energy of people walking around, all the open spaces. It's a pretty cool place to be.

**Jackie H. Rice:** It's incredible. Our culture here is phenomenal. It's unlike anything I've experienced at a corporate headquarters. It's actually .... If you go out into our stores and our distribution centers, it's equally infectious for different reasons. But yeah, definitely something that drew me to the role.

**Mike Kearney:** So Jackie, one of the things that I found interesting, we didn't do this in the first couple of episodes, but is to really understand kind of the backstory of the person. Because I think that oftentimes demonstrates the type of leader they are. And I think how you grew up and the school you went to, all of that influences who you are as a person. And

so just curious maybe for everybody out there just to give a sense for kind of who you are: Where did you grow up? What school did you go to?

**Jackie H. Rice:** Absolutely. I grew up in the suburbs of Detroit. I lived in Michigan almost my entire life with the exception of a couple of overseas assignments in my previous job. I went to Catholic school for, oh, jeez, 18 years.

**Mike Kearney:** I went 16, so you must—yeah, that's incredible.

**Jackie H. Rice:** Maybe it was 16. In any event, for a lot of years.

**Mike Kearney:** A long time. Yeah.

**Jackie H. Rice:** It was a lot of years of Catholic school. And I went to an all-girl high school and from there went to Michigan State against my parents' wishes. Had a phenomenal four years and wasn't sure what I was going to go into career-wise. I thought journalism, I thought law. And teaching was kind of in there. Just what my skills were seemed to .... I seemed to be drawn to those disciplines. In any event, I spent some time overseas in college and decided to pursue the legal route.

Went to law school at the University of Detroit Mercy, which ironically is literally kitty-corner from the corporation where I first worked. And had three years at U of D Law. They had a heavy emphasis on ethics, which I think, in hindsight, played a big role in where I eventually ended up in my career. As I mentioned, I started as an in-house council almost immediately—it was about a week after I graduated from law school.

**Mike Kearney:** Wow.

**Jackie H. Rice:** And stayed with the same company for about 18 years. Never thought I'd leave, quite frankly, and had incredible opportunities. I'm a lifelong learner; I'm always looking to expand my experiences and skills. And so I had some really unique opportunities, including living in Melbourne, Australia, and Zurich, Switzerland. And as I mentioned, had no real plans to leave. And Target called and literally when I came through the doors at headquarters, I was kind of convinced that I was going to make the move.

**Mike Kearney:** That's pretty cool.

**Jackie H. Rice:** Yeah.

**Mike Kearney:** Any early lessons shape who you are? The ethics piece is interesting.

**Jackie H. Rice:** Yep. I would say the ethics piece is definitely one. The other thing I would say is—and I share this when I talk to people new in their careers—never say “no” to an opportunity. I remember early on in my career, everyone in the group that I was with at the time had a specialty, and I was just out of law school. And so someone mentioned

information technology and data privacy. And I suddenly found myself supporting a business unit that was getting heavily into ecommerce. And suddenly I was getting calls from people in Europe saying, "We heard you're the data privacy person," to which I sort of paused and maybe giggled inside and said, "Sure."

And that led to a two- to three-year career focused on building data privacy for my previous company. I was in a business role for two years. Just had unbelievable experiences that if I had said no or I shied away from something that wasn't immediately comfortable to me ... I think kind of jumping in head first and dedicating yourself to something can really open doors that would not otherwise be open.

**Mike Kearney:** So let's pivot to your CRCO role at Target.

**Jackie H. Rice:** Yes.

**Mike Kearney:** And I know you've probably given a lot of thought to your vision. And one of the things I love talking to you about is you have a vision that I think is very unique with folks in your role. But when you think about the way you look at Target managing risk compliance and even crisis in the future, what are some things that just stand out in your mind?

**Jackie H. Rice:** So one of the .... I think back to my interview with Brian Cornell, my boss and our CEO. And I distinctly remember sharing with him that if he was looking for someone to come up with heat maps, I was not the person for him. Because I think often ERM becomes a check-the-box process that's kind of separate from the actual day-to-day running of the business. And so my vision was, we are a retailer, we are not a banking, financial services company, health care... so heavily regulated in many areas. But, again, we also have a number of designers, product development, etc. And so I really wanted to create something that was flexible enough to accommodate the breadth of businesses that we have within the organization.

I remember my first day at Target. We do an orientation and I was seated at the table with a number of IT people and then, again, people from our marketing and product design and development group, also known as the super hip people.

**Mike Kearney:** I was telling them that on the way, and I said, "These are all the really cool people."

**Jackie H. Rice:** Yeah, exactly. You can spot them as soon as you walk into the building. And we were going around the table and talking about what function we're with. And I was last and I said, "Oh, I'm here to build out our new risk and compliance function." And a couple of people at the table recoiled like, "What are you talking about?" So I thought, "Well, there's one measure of success. If I see that person again and he or she says, 'You know what? I kind of sort of understand what you do now,' that's a measure of success."

So I also wanted to take an approach that was very forward-looking, aligning closely to the strategic planning activity of the organization and really create an integrated program that sits side by side with the business. And as I said, is not kind of thought of after the fact or as a bolt-on to a project or program. And part of that is building out a risk culture, which I'm sure we'll talk about more. But I think that's one of the most challenging parts of being a risk lead.

**Mike Kearney:** Jackie, what about first hundred days? Obviously, one of the things that we find with executives, it doesn't matter really what role you're in, but having some early wins is important. When you thought about your first hundred days, what are some of the things that were your biggest priorities?

**Jackie H. Rice:** I think, first of all, it was understanding where the organization was in terms of its understanding and awareness of risk. Also understanding what success would look like from the businesses' perspective. How can we work with them and help them in a way that they hadn't previously seen? It was also getting to know my team. Obviously, this is a team sport. So understanding the resources that I had and then really coming up with an understanding of what has worked previously, building on that, and then looking for where the gaps are and then taking steps to fill those gaps.

**Mike Kearney:** Great. Any surprises when you took over, good or bad? Or neutral?

**Jackie H. Rice:** I think one. I don't think it was a—I'm not sure how I would describe this. Maybe neutral. But it's while you want the business to understand and, again, use the plain language and understand having those risk conversations and the importance, you also have to be careful about risk fatigue.

And I know that this is something that risk practitioners talk about all the time. But you have, I call them our sister risk functions. Whether it's our audit team, our information security team, the SOX team, the business is getting hit a number of times. And so one of the things that we started working on and continue to work on is, how do we streamline those activities so that it doesn't feel like death by a thousand cuts for the business? And really leverage information that is compiled for multiple purposes instead of compiling it 10 different times, as an example.

**Mike Kearney:** [Are] there any tips on... I know that because I hear this from a lot of clients. Like, "We don't want audit and risk and compliance hitting them all at once." Any simple things that you guys have done to address that?

**Jackie H. Rice:** This sounds ridiculously basic, but literally just sitting down with those partners and saying, "What does your meeting schedule look like over the next four weeks?" And partnering where you can.

**Mike Kearney:** Just mapping it out. Yeah.

**Jackie H. Rice:** Absolutely. And it kind of serves two purposes: You realize just how many meetings you have and where you can consolidate. But it also ensures that .... It actually has served another purpose. You go in, and I think there tends to be confusion between, for example, what the audit team's function is versus what the risk team's function is. And if you go in kind of with arms linked, you can help educate a bit and increase the organization's awareness around why those two functions are discrete and what roles that they each play. And that has served a helpful purpose as well.

**Mike Kearney:** Yeah. Don't you think if you're sitting in the business and you've never spent time in risk and compliance and somebody's coming at you, why would you know the difference between what internal audit does or compliance?

**Jackie H. Rice:** Yep. Yep.

**Mike Kearney:** And I think empathy is potentially maybe the killer tool that our people could bring to the table.

**Jackie H. Rice:** That was such a softball.

**Mike Kearney:** Oh.

**Jackie H. Rice:** I'm just kidding. Let me step back just for context purposes. So I joined in December of '14. [2015] was really spent building, I call it, the risk infrastructure. So getting the program in place. What are the elements going to be of the program? How do we organize the team? What does that business engagement look like? Etc. And then 2016 has really focused on starting to implement and drive content development. So what are those top risks? What are the interconnections between the risks? If we put more resources toward one, does it have a downstream effect?

And as my team started getting ready for 2016 and what this year was going to look like, I came up with a series of things that I wanted us to accomplish and behaviors that I wanted us to display. And those really kind of filtered into three key themes that we are using this year: evolve, align, and empathize.

So continue to evolve our program. Continue to align with those other risk functions. And at all times, show empathy for the business and really understand.... I think part of success for anyone in a risk or compliance role is you have to understand the organization. You have to understand the business model. You need to understand the financials to some extent. You need to understand where the strategic direction is going. And you should really, quite frankly, be adjusting how you're supporting the organization on a pretty regular basis.

Not every month, but on an annual basis, kind of looking at, "All right. Where is the business going? How has the organization changed?" And then adjusting as appropriate. And part of that empathy is how are you going to talk to the business, how are you going to have a

meaningful risk discussion if you don't understand what challenges they're having, where they see opportunities, where they see their own gaps or weaknesses?

And so really being empathetic. A minor example of that is for us, we—obviously, our headquarters is in Minneapolis. We have over 1,800 stores across the US. We've got distribution centers and fulfillment centers, etc. If you're sitting in your office in Minneapolis, you're not doing your job, in my opinion. People should be getting out into stores. It doesn't mean traveling necessarily.

People should be going into stores, understanding.... The things that we're developing at headquarters, what does that look like? How do those manifest themselves in the stores, in the DCs? Are we making people's lives miserable? Are we driving as efficient a set of processes as possible? So really getting out into the organization, being seen, understanding how the business runs is all, in my view, critically important.

**Mike Kearney:** I was going to ask about this later, but you also brought up evolve. I would argue that the better you understand the folks that you're supporting, the potentially more innovation that you're going to bring to the table.

**Jackie H. Rice:** Absolutely.

**Mike Kearney:** And I look at—and I don't know if you agree with this, but the words you used of evolve. It's almost continuous innovation of trying to figure out how we could better manage risk across the enterprise.

**Jackie H. Rice:** No question about it. And we have done no fewer than three reorganizations within the risk and compliance team since I joined the company, which could be incredibly disruptive and frustrating. I completely understand that. At the same time we have to, again, continually look at where is the business going and how do we make sure we have the right people side by side with the business wherever possible to support them and ensure that our voice is being heard as part of their conversations?

**Mike Kearney:** Right. Well, wouldn't you argue in some.... I never thought about this, but the risk group should keep up with the business.

**Jackie H. Rice:** No question.

**Mike Kearney:** So if the business is evolving—which Target obviously is—the things that you're looking at, especially as you go more digital and focus on guests and all of those different things...

**Jackie H. Rice:** Absolutely. And it requires a different set of skills as well. And you can have a traditional ERM practitioner. That's not what I want here. You need some of that. Obviously, you need to have a baseline understanding of risk management. But I want people who can take those kind of archaic concepts and actually put them into practice for a



dynamic, innovative organization that is looking to continually reinvent itself, make things better for our guests, [and] make things better for our team members. That's a bit of a different skill set.

**Mike Kearney:** That's cool. That's really cool. It's almost like Target risk and compliance equals innovation.

**Jackie H. Rice:** Yep.

**Mike Kearney:** Or innovation equals.... That's great.

**Jackie H. Rice:** That's our goal.

**Mike Kearney:** That's a good message. We should be getting that out there. What about emerging risks? How are you looking at maybe external trends, things that are happening outside of Target that could impact your risk profile?

**Jackie H. Rice:** So again, in the spirit of not reinventing the wheel, we have a number of trend groups within the organization that are constantly looking out and seeing what things that we should be thinking about on the horizon that could impact our business, what our guests want, their expectations, etc. And so we leverage those groups and pull in the same data that they're looking at. Again, just analyzing it through a risk lens as opposed to a pure strategic lens.

**Mike Kearney:** Operations or.... Yep.

**Jackie H. Rice:** Exactly. And I think that has proven to be extremely helpful. We are partnered at the hip with our strategy group. And again, they're looking out not only one to two years, but five to ten years from now. How do we think about risk? How do we make sure we're looking at the right things? How do we make sure we're pursuing the right initiatives? We also have an internal group that kind of works with a futurist to understand what macro trends could impact either the retail industry or other industries, but could have a trickle-down effect on our company. And so a combination of all of those. We actually have a group within my team that's dedicated to looking outside and making sure that we're wrapping those into the internal discussions.

**Mike Kearney:** You know what? That almost points to it's an us versus.... I'm not saying that's here—

**Jackie H. Rice:** Yeah. No. That's fair.

**Mike Kearney:** But in many organizations, it's an "us versus them" mentality.

**Jackie H. Rice:** Yep.

**Mike Kearney:** And it sounds what you're also prioritizing, to a certain degree, is collaboration across the business.

**Jackie H. Rice:** Absolutely. And I think that goes back to the risk culture. One thing that I think I probably underestimated a bit when I took this role is the importance of building a risk culture. And that can mean a lot of different things at a lot of different companies. But creating a program that fits the culture and that the organization will actually embrace and respond to is crucial. For us that is being flexible. And one example is when we're doing risk assessments. With one group, they typically don't think about risk. They do, but not in a—

**Mike Kearney:** That's not the nomenclature.

**Jackie H. Rice:** —formal way. Exactly.

**Mike Kearney:** Yeah. Exactly. Yep.

**Jackie H. Rice:** And so they said, "Man, we really want to do a formal risk workshop." We said, "No worries. That's what we'll do." Another group said, "You know what? We are so swamped right now. We've got a number of priorities that we're trying to deliver on. Very time sensitive. We have to do it a different way." We said, "No problem." Sat down, had conversations with them. Probably three 45-minute conversations. The outcomes were exactly the same. It was just the methods that we used to achieve those outcomes were slightly different. And I think the business appreciated that.

That's another, I would say, big theme for us this year is what outcomes are we driving? It's not about the process.

**Mike Kearney:** It's not the process.

**Jackie H. Rice:** It's not about...

**Mike Kearney:** It's the impact. Yeah.

**Jackie H. Rice:** Exactly. Which is sometimes, that's a tough question to answer.

**Mike Kearney:** Well, and what's interesting is this almost goes back to.... And this may be one of the taglines of this conversation is empathy because you need to understand where they're at. Obviously different parts of your business are different [and] are busy during different parts of the year. And so to understand the pressures that they have, the issues that they're going through and then tailoring your solutions I think is fantastic.

**Jackie H. Rice:** Absolutely. One tangible example of that is anyone in the retail industry knows that the holiday period is one of the most important times of the year for a retail company. So basically as you're heading toward peak holiday season, it's like hands off. Let the stores run themselves. Stay away from any part of the business that.... And so you just cadence it in a way that works for the business. And again, you still get the outcomes you need.

**Mike Kearney:** That's how you make friends and avoid enemies, I think.

**Jackie H. Rice:** You got it.

**Mike Kearney:** Yep.

**Jackie H. Rice:** We try.

**Mike Kearney:** Absolutely. Let's pivot to your team. And one of the things that we've heard from the leaders that we've had on is it's all, in many respects, about the team. And so one of the things I'm curious of, and you've already kind of given some insight into the way you think about this. But when you think of the folks that are on your risk and compliance team, what are some of the attributes that you're looking for?

**Jackie H. Rice:** So I mentioned having an understanding of the organization is critical. Being open to doing things differently. And again, that empathy piece coming in.

**Mike Kearney:** Yep.

**Jackie H. Rice:** Making sure that you're appreciating the context of where your business partners are at any given point and then supporting them appropriately. Great judgment, of course. A willingness to think about things differently. And I think agility is incredibly important. Just we have a number of transformations under way within the organization, which means continuous change. And risk is easy when things are kind of static. When things are continually shifting and moving and evolving, it becomes more challenging to kind of keep the risk lens going. And so kind of being resilient. Such a, what? I didn't even—

**Mike Kearney:** Oh, my God. Thank you.

**Jackie H. Rice:** —set up. I know.

**Mike Kearney:** That was really good.

**Jackie H. Rice:** That was just off the cuff. Go figure. But in any event, just the team I have is.... And they want to do more. And that's the greatest thing. They want to employ innovative techniques that haven't traditionally been used in the risk space, which I think is extraordinary and—

**Mike Kearney:** So how are you finding those? So I know you've made a couple hires, and you have a great team that was already here. But how are you finding.... Who are you looking for? Are you looking for the standard risk professional or are you going outside?

**Jackie H. Rice:** I'm actually not looking for the standard risk professional. I certainly am looking for someone who has some experience in the risk space who understands kind of the general framework. But from there, I want someone who's going to be able to take that, as I said, and translate it into language, into a discussion, that's going to resonate with the business. And sometimes I think that the ERM nomenclature can really be a barrier to having those productive conversations. So

I'm looking for someone who's super smart, who's comfortable dealing with ambiguity. These are new roles at Target.

**Mike Kearney:** And a lot of—just for the record, I'm a risk person.

**Jackie H. Rice:** Yes.

**Mike Kearney:** I would say one of the key strengths of many risk professionals is not dealing with change and ambiguity, which is.... Actually, it's not even a risk professional. Most people are uncomfortable with that.

**Jackie H. Rice:** That's right.

**Mike Kearney:** So that's a hard thing to find now.

**Jackie H. Rice:** I agree. And I think it's also.... I also want someone who is driven and wants to show tangible progress and not be too theoretical about this exercise, which, again, I've seen in some places. So smart, curious, okay dealing with ambiguity. Can be agile and adjust as circumstances require.

**Mike Kearney:** So Target has a.... I think you call them values, but has a value of smart risk taking.

**Jackie H. Rice:** Yes.

**Mike Kearney:** Can you share why this is so.... I've never seen a company have that nomenclature in their values. So why was that put into the value system at Target?

**Jackie H. Rice:** That was before my time, but I think there has been a.... Historically, there may have been a feeling that the company was too risk-averse. And so how do we equip our teams to feel comfortable taking risks, failing fast, learning from that, and then, again, hopefully taking the next risk in a smarter way? The beautiful thing about where we are with our program at the moment is because we are evolving, we can try different things. And we can try it, and if it doesn't work, that's okay. As long as we learn from it and bake those learnings into whatever we decide to do next.

**Mike Kearney:** So Jackie, it sounds good to have a smart risk-taking value within your value system. It's probably a lot harder to implement. Is there anything that from your role you could do or even from Brian's role that you can do that almost inculcates that value in the culture?

**Jackie H. Rice:** So I think the answer to that question is how you develop the risk culture.

**Mike Kearney:** Yep.

**Jackie H. Rice:** Which, again, as I said, is probably the one area that I really underestimated when I thought about moving into this space. And I think it's helping people have the confidence that if they do something

and they do fail fast, they're not going to be criticized, they're not going to be reprimanded, penalized. And then that we also celebrate, "Hey, we tried this."

**Mike Kearney:** Failures. Yep.

**Jackie H. Rice:** "It didn't work. Okay. We're going to dust off our boots and try it again."

**Mike Kearney:** Well, how many organizations have you seen where they say, "Oh, yeah, we embrace failure."

**Jackie H. Rice:** Right.

**Mike Kearney:** And then the second there's failure, that person gets hammered. And then that sets the tone for the organization.

**Jackie H. Rice:** That's exactly right. That's exactly right.

And I also think just, again, as mundane as this sounds, part of the culture is something as simple as clarity around roles and responsibilities. And I say something as simple as—that's actually not simple, especially when you're creating something from scratch. And understanding what are the process flows? Where are the approval points? What is the escalation criteria?

**Mike Kearney:** And this isn't just within the risk organization. This is across the entire organization.

**Jackie H. Rice:** Absolutely. Absolutely.

**Mike Kearney:** Yep.

**Jackie H. Rice:** And, again, I think that there has been a certain amount of lack of clarity in the organization around who's able to make certain decisions historically. And so, again, I think this concept of smart risk taking is intended to empower the organization to say, "It is okay. You can do this. If it doesn't work, again, as long as we learn from it."

**Mike Kearney:** Well, I think you gave two really insightful or helpful techniques to organizations when you're trying to create this risk of... this culture that is open to taking risks. One is to give people the room to take the risks and then to recognize them if they took it and they failed and they learned from it. And then the second thing, it almost sounds like what you're talking about is within the organization, however you do it, and there's a lot of different ways you could do it, but to be really clear about what are the risks, the bigger risks that people can take for your level and responsibility.

**Jackie H. Rice:** Absolutely.

**Mike Kearney:** And that's oftentimes not done.

**Jackie H. Rice:** Agree.

**Mike Kearney:** So Jackie, you mentioned crisis earlier.

**Jackie H. Rice:** Yes.

**Mike Kearney:** Can you just talk about what you have done over the last couple years so that you're prepared for a crisis, any type of crisis if it comes in the future?

**Jackie H. Rice:** And crisis is defined depending upon where you're sitting in the world and what your context is. So that was actually one of the first things that we did. We have a number of groups that have "crisis"—I'm using air quotes for the people listening—somewhere in their titles or in their job descriptions. So we really wanted to get them together and understand what their context was when they were referring to a crisis. And it was fascinating. It was all over the board.

Again, for some people, particularly in the field, if there is an issue that impacts five stores, that's a crisis, and it's legitimately a crisis. What we really wanted to focus on is when it gets to the point where it is enterprise threatening. Because we have a number of really good processes that exist to respond to discrete sets of different crisis categories. We didn't want to disrupt that. So we really wanted to say when it gets to a certain level in the organization...

**Mike Kearney:** You mean like when Brian needs to know about it?

**Jackie H. Rice:** That would be a... that's a good factor. When it has a significant impact to our guests, if it's going to impact sales, what are those considerations that we need to be thinking through, and how do we mobilize the right people at that time? I'm not looking to create a crisis playbook. I think having a book is not helpful when you...

**Mike Kearney:** You mean a playbook that you spend a lot of time and sits on a shelf and nobody looks at it? Yeah.

**Jackie H. Rice:** That's precisely what I'm referring to.

**Mike Kearney:** Yeah.

**Jackie H. Rice:** So what we have really been trying to develop is almost just a roadmap that "if this, then this." And what are the considerations or questions that you need to be asking yourself as the facts unfold. And I think one... When you're referring to enterprise crisis management, it's actually really important to understand what the leader's perspective is on what role he or she should play in that. I think some leaders feel they want to be right in the middle of it, they want to be driving the direction, being part of every decision. Other leaders might say, "Hey, we've got a process for a reason. I'm going to let that group make the call. We're going to have a quarterback that leads the team through it. And I'm going to come in on an as-needed basis."

**Mike Kearney:** Anything that your organization does to get ready? Meaning some companies go through war gaming or simulations. Is that something that you guys have done?

**Jackie H. Rice:** All of the above. Absolutely. And some involving the entire leadership team, some involving Brian, our CEO, others more focused on a particular, whether it's an active-shooter situation. But we do it at all levels. And it's not limited to crisis situations. It also could be how is a particular guest going to respond to this scenario? And so we use it actually fairly broadly across the organization.

**Mike Kearney:** And do you find value or do the executives find value? Because one of those... simulations sound great until you have to spend half a day doing it.

**Jackie H. Rice:** Yep.

**Mike Kearney:** And then when the crisis or something hits, you go, "Gosh, why didn't we spend more time doing it?" So you're kind of betwixt and between. What's the response been like?

**Jackie H. Rice:** I think it's been a mixed response depending upon the scenario. In one case, our chief information security officer led a cyber war game that was very sophisticated, was very deep, and we were effectively testing our incident-management process. Huge learnings coming out of that. It was a terrific exercise. Our process...

**Mike Kearney:** Did it change responses at all?

**Jackie H. Rice:** Absolutely. I was just going to say our process was good. Our process is really good now. In other cases, I don't think it changes. In that case we were testing something to see if it would work. In other cases we're just evaluating, anticipating, pulling in insights, and, again, discussing different scenarios and how we would respond in a particular situation. So I think, overall, I think that the various techniques that we have used have proven to be quite valuable. Again, in some cases we've done some and actually the business has said, "This has been really, really helpful. Can we do more?" Which is terrific. That's always what you want. So we have found those types of activities to be extremely valuable.

**Mike Kearney:** I had the opportunity on a project about five or six years ago to be part of an interview of Navy Seals. And what was really interesting is to learn about how much time they prep. And it's not so that they can execute a specific plan, playbook like you talked about. It's so that they're ready for all of the different things that may come at them.

**Jackie H. Rice:** Absolutely. And that is... Again, the importance of that. Who needs to be involved? What questions do we need to be asking ourselves? Because when you're... your mind is racing in those situations.

**Mike Kearney:** You shouldn't be asking those questions in the middle of a crisis because you're going to get it wrong then.

**Jackie H. Rice:** Absolutely. And this way it just brings everybody to a level playing field, if you will, and I think just drives some discipline that may not otherwise exist in a crisis situation.

**Mike Kearney:** So I'm taking away, no playbooks, but simulation.

**Jackie H. Rice:** Yeah. I think that's right.

**Mike Kearney:** That's great.

**Jackie H. Rice:** Keep it to one page.

**Mike Kearney:** That's exactly right.

**Jackie H. Rice:** Keep it to one page.

**Mike Kearney:** Let's move on to more conversation around the executive team. So I'm curious how the executive team maybe looked at risk when you started and if they've evolved as a result of some of the programs that you've put into place.

**Jackie H. Rice:** Well, I would hope that they would say that they have a much better understanding of risk at this point. We actually have had a number of changes on our leadership team, so it's been really interesting just having external resources come on board. We just announced our chief merchant, Mark Tritton.

**Mike Kearney:** From Nordstrom, right?

**Jackie H. Rice:** From Nordstrom. And so here, again, going back to my earlier comment about the folks from product design and development sort of looking at me in horror when I told them what I did, when I first met Mark who has such an unbelievable personality and just really enthusiastic. And he said, "Oh." He's Australian, and I'm not going to try to do an Australian accent because I will sound ridiculous. But he said, "I was part of risk and compliance committees at Nordstrom. Can't wait to talk to you about this. Let's think about ...." And we actually were walking stores last week and he had some great ideas about how we can look at—again, across industries, outside the US, just huge energy. And quite frankly, the last person I expected to be super excited about risk and compliance. But I will take it. So he literally has been with us I think two days.

But I would say the rest of the team, we are still working through the, "Where do I come in? Where do we engage with our teams?" I think with middle-level management to sort of senior management, we're pretty well ingrained. The leadership team, we're still working through kind of "What does that operating cadence look like? What are the types of issues that I bring to the LT?" Obviously anything that goes to the board they see. But really trying to make sure that I have an opportunity to facilitate the right conversations. Right now I have a lot



of one-off conversations. I want to evolve those into more of a group setting.

**Mike Kearney:** Always going back to your principles it seems like.

**Jackie H. Rice:** I know. Keep me honest.

**Mike Kearney:** No, they evolve and align.

**Jackie H. Rice:** Yeah.

**Mike Kearney:** In many respects, that's what it is.

**Jackie H. Rice:** That's what we're working toward. Yep. I'm hoping that .... I think things will look a lot different by the end of the year.

**Mike Kearney:** So if Brian were sitting here, which would be kind of cool if he was, but what would Brian—

**Jackie H. Rice:** Oh, he's right outside.

**Mike Kearney:** He's right outside. What would he say .... So what parts of what risk is doing is bringing value to his world?

**Jackie H. Rice:** First and foremost, I think it's given the board a level of confidence or increased their level of confidence, I would say, which is obviously something that matters a lot to him. I also think that the approach that we are taking and the progress that we've made in the short amount of time that we've been at this is pretty extraordinary. And I think Brian would say how we are trying to integrate, how we are trying to align, make life easier for the business is what he was looking for.

**Mike Kearney:** So going back to that first question around what his vision was. It wasn't like an off-the-shelf traditional ERM program, it sounds like.

**Jackie H. Rice:** I'm not sure, and I'm kind of putting words in his mouth.

**Mike Kearney:** Yeah.

**Jackie H. Rice:** I'm not sure he knew if he wanted that or something else. But I think having seen what we've developed, I think he's pleased.

**Mike Kearney:** He likes what you've got. Do you ever have the challenge where—and I've seen this—you come up with the risks and people are like, "Yeah, we knew that." It's like .... So the question I always am interested in, how do you get the truth? Because sometimes it's not that risk that ... I could probably rattle off 90 percent of companies in the US are taught .... I could probably get five out of their top 10 risks.

**Jackie H. Rice:** And I think...

**Mike Kearney:** It's a layer below.

**Jackie H. Rice:** I agree with that. And I think it's okay. I think particularly for your board, if you didn't see some of those they'd be like, "What's wrong with you people?"

**Mike Kearney:** Yeah.

**Jackie H. Rice:** So I think the sort of industry-ubiquitous risks, you're always going to have to track. Information security is a good one. Every company should be thinking about that right now. I think where it gets really interesting is, what are those risks that are facing the company at that point in time that are unique to that company? And so for us, obviously we have an enormous amount of transformation going on at the moment. Well, what are the risks that emerge with that as your context? And what are you actually going to do about it?

And so to me, your list of top risks should be a nice hybrid of, again, the most obvious ones and what reflects what's happening in the organization at a given point in time. And one other thing ... I was shocked. We brought our business risk champions together for a risk workshop. It was actually the first time we had done this. And we actually gave them pre-read material. I anticipated it being a very heavily facilitated session and was amazed. They got into that room, we almost couldn't control the conversation. Everyone had a point of view, everyone wanted to talk about it, what they were thinking, what they were feeling. And a lot of it was gut and instinct. But I will tell you what came out of that session largely ended up in some consolidated way as the top risks to the companies.

**Mike Kearney:** Is there something you wish you did earlier or that you had waited on?

**Jackie H. Rice:** I think I would have spent probably less time on the programmatic elements.

**Mike Kearney:** What you just talked about.

**Jackie H. Rice:** Yes.

**Mike Kearney:** And more?

**Jackie H. Rice:** I think I would have done kind of a quick and dirty on those and then spent a lot of time on "What do we think our operating model should be?" And getting the right people in the right roles to start facilitating those conversations with the business.

**Mike Kearney:** So Jackie, obviously, you're the first CRCO and you're a direct report to the CEO. Big expectations. Any challenges to date that you go, "Oh, that was maybe harder than I thought it was going to be?"

**Jackie H. Rice:** Yes. I would say bringing—

**Mike Kearney:** Do we have three hours? I'm teasing.

**Jackie H. Rice:** Yeah, how much time you have? I think it would be talking about risk without going too deep on risk. I know that sounds a little unusual, but really keeping it at a level for my peers where they understand what they need, what I need from them, what they need from me ... without dragging them too far into the details.

**Mike Kearney:** And when you say the details, meaning maybe the common way risks would be presented to an executive?

**Jackie H. Rice:** Yes. Yes. And I blame it on my legal background. I feel I want to give all the facts and explain—

**Mike Kearney:** Why we're doing certain things.

**Jackie H. Rice:** Exactly. "And this is how this works." And rather than just kind of having my elevator speech that says, "Here's what I need from you, here's why, and this is what it means to you—

**Mike Kearney:** For you. Yeah.

**Jackie H. Rice:** —as a business leader."

**Mike Kearney:** Yep.

**Jackie H. Rice:** I think that's something that for me personally I continue to refine.

**Mike Kearney:** When you look back in your life, is there somebody that you can point to that made tremendous impact on who you are today that prepared you for this role, like a mentor?

**Jackie H. Rice:** So I would say that the first person would be—this is such a cliché answer—my mom. She was always ensuring that I was thinking through actions that I might take, and decisions, so that I was almost, I guess, a version of scenario planning to make sure that I knew if X, then Y.

The second person I would mention was my mentor at my previous company who encouraged me to trust my gut and to be confident when I knew something was right. And to, again, embrace new experiences and new learnings. He gave me enormous opportunities, all of which I gladly embraced. And he also taught me this phrase, "It is what it is." So when something went wrong—

**Mike Kearney:** To move on.

**Jackie H. Rice:** —don't stress. Learn from it. And it is what it is. And go forward.

**Mike Kearney:** It's interesting when you talk about gut because a lot of times people would say, "Well, your gut also can lead you in the wrong direction." But what's interesting is there's probably a lot of different stories, and we're not going to point any of them out, where there was somebody in an organization that knew just something was off and they didn't necessarily trust their gut. And had they, they could have potentially

have prevented something that was significant, a risk essentially that has manifested itself.

**Jackie H. Rice:** I could not agree with that more. And one of the cultural pieces that we've been talking about throughout is how do you encourage people and empower them to raise their hand when they do have that sense, without feeling like you're going to shut them down or .... That really is—

**Mike Kearney:** Those are some of your best risk managers in the practice.

**Jackie H. Rice:** No question about it.

**Mike Kearney:** Like, "I don't feel comfortable with this. This could be an issue."

**Jackie H. Rice:** "And for this reason." And even if you decide to go forward, you've had the conversation and you're more educated than you would have been otherwise.

**Mike Kearney:** We named this podcast Resilient. It actually took a lot more time than you would think to come up with that name. But we did [it] for many reasons. But what are the attributes for a resilient leader in your mind?

**Jackie H. Rice:** So I think, first and foremost, the ability to pick yourself up when something goes wrong and focus on moving forward. I think that's probably the biggest. Determination. Knowing what's right and actually doing what's right. So I think, yeah, that's probably how I would summarize.

**Mike Kearney:** Yeah. So whenever I'm doing these podcasts, I write out kind of all of the things that I want to share at the end maybe just to summarize. Which I'm going to go through, maybe five or six, and I'd like your thoughts to see if I got it right. Although I think I have about twenty, so let me see if I could pick some out. And I can't read my chicken scratch. But there were a few things.

One of them is just about who you are. And I think you kind of expressed this through the entire conversation, just about lifelong learner, always open to new opportunities. Obviously, that's why you're here. I also think that's the way you're guiding your team at Target, meaning you've got to be out there in the business and open up and make sure that you're okay with ambiguity.

The thing that I think is probably—it's leading in my mind, quite frankly, is you've taken a risk program, and there's a lot of focus on how do you really integrate with the business? And you just talked about, "How do I want to be remembered where—" I think that was the question. But "in the future, I just want this to be part of what the business does."

**Jackie H. Rice:** Absolutely.

**Mike Kearney:** And it's not a point of view on just what risk does as that bolt-on group. I also loved how you talked about kind of your empathy, evolve, and align. I thought that was great. That's a very simple way of kind of thinking about how you manage risk. And I love the empathy. To me, that's the most important thing because how do you align and integrate with the business if you don't understand the challenges and opportunities that are before them? And the evolve, to me, like we talked about, is all about innovation. And then the align, we didn't talk a whole lot about. But obviously, you need to align with what is going on in the business. And if you don't do that, you're obviously not going to be successful.

And you also talked a bit about forward looking, meaning a lot of times risk—and this is actually probably one of the biggest observations and points of counsel to the organizations out there.... Oftentimes there's so much emphasis on risk today and within the organization that companies sometimes forget about the fact that we live in this extremely volatile, changing world and there's a lot of things that are hitting the company from outside. And if you're not looking ahead two to five years or even beyond, you potentially could miss some of the biggest risks. And we've seen a lot of companies fall into that.

And then the last thing I will just talk about, I think, although I could keep going, is the whole cultural aspect. And I think one of the things that you talked about is .... In many respects, that may be the biggest takeaway today. If you don't change the culture to focus on risk, there's a lot of things that you can do within the risk management group, but you're not going to have the impact.

**Jackie H. Rice:** Absolutely.

**Mike Kearney:** So how do you think I did in summarizing?

**Jackie H. Rice:** I think you did really well.

**Mike Kearney:** You give me an A for the day?

**Jackie H. Rice:** I'm actually surprised you didn't just talk about culture because I mentioned it no fewer than 400 times.

**Mike Kearney:** I left it for the end. So Jackie, any last parting thoughts?

**Jackie H. Rice:** No. This is .... It continues to be an emerging area and, again, it continues to be a pretty nebulous area on its face. Which is why grounding it in the business is so important. And I just.... I appreciated the opportunity to talk about the great work that the team is doing.

**Mike Kearney:** You guys are doing an awesome job. And hopefully if I call in a year to hear about all the enhancements, you'll join us again.

**Jackie H. Rice:** Absolutely.

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**Mike Kearney:**

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