5 software AG

INTELLIGENT
GRC

Transforming your approach to Governance, Risk and Compliance (GRC)
into a source of ongoing competitive advantage in the marketplace

Governance. Risk. Compliance. Few words in the modern business lexicon seem as weighty, ponderous or intrinsically unprofitable. Whether an organization is considering GRC in the context of the Sarbanes–Oxley Act of 2002 or the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010—or any of the myriad regulations enacted elsewhere in the world—GRC simply feels burdensome. Every organization must divert time, money and personnel away from the fundamental mission of the enterprise—which exists to create products and services desired in the marketplace and, ultimately, to increase profits for the shareholders—to focus on preparing tedious and detailed reports that will delight no one but a cadre of external shareholders who are more interested in corporate oversight than in corporate profit.

Introduction

Does that view of GRC seem familiar? Quite likely.

But it may also be obsolete. When you think about it, the insights you need for GRC are not so very different from the insights you need to run your business most effectively. In both cases, you need deep insight into the operations of your enterprise. You need to understand how efficiently your business processes are operating, whether your supply chains are flexible and responsive, and whether you have backup and contingency plans in place to deal with changes that will affect your ability to compete. You need to know what's going into your products, where it's coming from and what factors might complicate or compromise your ability to create and deliver your products. You need to know how much money you're spending (and where and why) as well as how much money you're making (and where and why). You need to know which areas of the enterprise are working well and which need to be improved.

The more insight you have into your enterprise and its operations, the more effectively you can refine your enterprise to meet customer needs and compete in a global marketplace. The more control you have over those processes, the more quickly and effectively you can tune those processes to respond to changes or new opportunities in the marketplace.

Indeed, the case we will make in this white paper is that the tools and insights you need to succeed in the marketplace are effectively the same tools and insights that you need for GRC. In fact, by focusing on deploying the tools that can truly help your organization succeed in the future, you will gain a solution that gives you all the insights and tools you need for successful governance, risk management and compliance.

The past as a poor guide to the future

If we look briefly at the history of GRC, it becomes clear why GRC has never before been seen as a source of fundamental value to the enterprise. Enterprise GRC really started in around 2004 as companies tried to figure out how to comply with the demands of Sarbanes-Oxley. The efforts around compliance were all very reactive and required a great deal of time—in part because Sarbanes-Oxley reporting demanded insights that were not readily obtained. Organizations that had grown up organically over time had implemented a wide range of systems, processes and protocols that rarely interacted well. Thus, the insights and information that organizations had to develop to achieve Sarbanes-Oxley compliance often required many people to collect, validate and normalize information coming from many different sources and many different locations.

Optimal transparency and consistency enable a single source of truth.
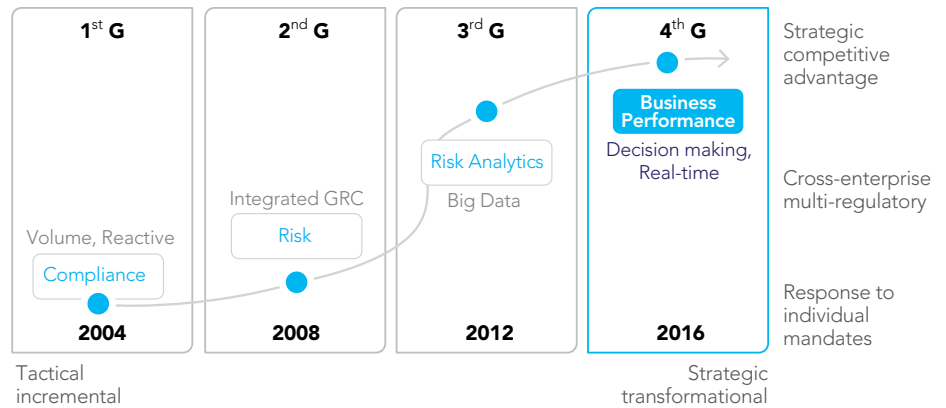
Organizations must move toward greater **AUTOMATION** because automation facilitates **CONTINUOUS** monitoring and **REAL-TIME ANALYSES.**

1st G	2nd G	3rd G	4th G	
				Strategic competitive advantage
			Business Performance	
		Risk Analytics	Decision making, Real-time	Cross-enterprise multi-regulatory
	Integrated GRC	Big Data		
Volume, Reactive	Risk			Response to individual mandates
Compliance				
2004	**2008**	**2012**	**2016**	

Tactical incremental / Strategic transformational

Even when the team responsible for corporate compliance had assembled the information and put in place the controls needed for compliance, the information did not stand out as particularly useful for helping shape a competitive response to the marketplace. One reason for this, though, should be obvious: The information was all retrospective. Enterprise planners still lacked the insight into what was happening at this instant across the entire enterprise. There were too many silos occluding the view. The big picture remained elusive except in hindsight.

Developments in operational technologies and improvements in the areas of standards, protocols and communications helped to alleviate some of the difficulties associated with GRC. By 2008, we were entering a new phase of GRC. Organizations were gaining greater insight into their operations. They were rarely end-to-end insights, but some of the silo walls had been toppled during the intervening years. Control systems were yielding insights that if not in real time were increasingly near real time, which helped organizations analyze, identify and respond to risk more nimbly than in the past. Reporting on compliance also became a bit easier because GRC personnel had access to more information from across the enterprise.

- Fast forward another four years. By 2012, there had been still more forward movement with communications and mechanisms for information sharing among and across platforms, workflows and business processes. Data had been used more often for risk and control assessments. More and more business processes were automated, and the controls were both more responsive and more flexible. The sheer volume of information—both historical and real-time—would have been overwhelming except that breakthroughs in database management and in-memory computing technologies began to provide easier access to the information that GRC personnel required to keep regulators happy.

- This evolution has brought us to the tipping point at which we find ourselves today. Many organizations have not taken full advantage of the technology, communications and process breakthroughs that have become available over the past 10 years. But in many instances, that is because they have looked at the deployment of these tools only in the service of a vision of GRC that dates back to 2004.

- They still rely heavily on manual processes to meet their GRC needs. They still look only backwards and focus only on reporting on the year just past.

- They assume a steady-state risk framework that hampers their ability to address emerging risks.

- They rely on control activities running at set intervals and that capture information that was current only weeks ago.

4th Generation GRC is integral to business performance.

- They focus the demands of each regulation in isolation—building solutions to report on finance, for those focusing on Sarbanes-Oxley; solutions to report on conflict mineral sourcing, for those tasked with Dodd Frank 1502 compliance; or solutions to report on the use of medicinal products for those working on emerging IDMP regulations in the pharmaceutical world, just to name a few examples.

- They focus on implementing new controls to mitigate risk and ensuring compliance without any mechanism for modeling the impact of those controls on business processes and workflows. They have little or no way to anticipate the effect of those new controls on such business performance metrics as cycle time or process cost, to say nothing of any insight into the impact of these controls on customer satisfaction or the customer's experience.

As long as an enterprise continues to build GRC solutions in this manner, compliance will remain an onerous and burdensome task. Moreover, as long as an enterprise continues in this manner, it will fail to operate as effectively, efficiently and nimbly as it could.
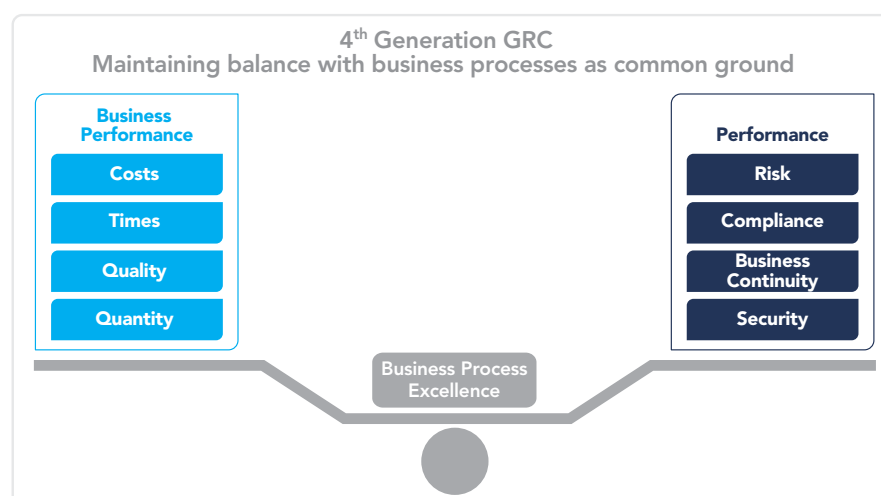
Tipping toward a world of integrated business controls

Instead of looking backwards and treating GRC as a burden, what if the organization looked forward? By taking maximum advantage of the technical breakthroughs that have emerged over the past decade, an organization can both strengthen its ability to perform in the marketplace and strengthen its ability to meet its GRC responsibilities.

Organizations must move toward greater automation because automation facilitates real-time monitoring and real-time data analysis. Instead of taking a reactive approach to risk, they must take advantage of real-time data analysis tools to identify emerging and impending risks—in time to do something proactive to mitigate or avoid these risks. Instead of acting retrospectively and executing controls at set intervals, organizations need to shift to control systems that operate continuously and that can facilitate business decisions based on predictive analytics.

Ultimately, we are looking at a world of fully integrated business controls. The organization gains the tools and insights that enable business decision-makers to view the business holistically, from end to end. Business process and workflows are laid bare because the silo walls that occluded insight have disappeared. Business managers have full understanding of how business processes are actually performing and have the tools and controls to refine those processes in response to new opportunities, competitive threats, changing market conditions or whatever stimuli demands a response. There is a single point of truth to which all stakeholders can turn.

At the same time, business decision-makers are able to integrate insights from well beyond the walls of the enterprise. Advances in the ability to incorporate and analyze data from social media and other sources provide that much more information that can translate into business operation refinements, a better understanding of evolving customer needs and more. Organizations that can connect those insights with automated business processes and controls will be able to respond to the markets of today—and of tomorrow—with highly competitive and highly compelling offers.

4th Generation GRC:
GET THE FOUNDATION.
GET IT MANAGED.
GET IT OPTIMIZED.

> **Comply with confidence by using a holistic approach without silos.**

> **Business benefits in efficiency and effectiveness occur when using integrated business controls.**

4th Generation GRC
Maintaining balance with business processes as common ground

Business Performance
- Costs
- Times
- Quality
- Quantity

Performance
- Risk
- Compliance
- Business Continuity
- Security

Business Process Excellence

This is a world of extraordinary insight, which is crucial not only to optimizing business performance but also to optimizing GRC. The same insights that enable the organization to respond quickly to new opportunities enable the organization to manage GRC in an optimal manner. With access to a single point of the truth that encompasses the entire enterprise and with analytical tools that can facilitate finding the answer to virtually any question about the operations of the enterprise, the organization we are describing can manage its GRC responsibilities more efficiently and effectively than ever before.

Managing the movement forward

How can your organization move toward this state of active engagement coupled with continuous control? The answer for every organization will be different and will depend on the current state of your organization's infrastructure, organizational alignments, business processes and more. That is not intended to be an evasive answer; it merely acknowledges that the evolution of an enterprise to what we might call 4th generation GRC state is one that involves refinement and change in many different dimensions.

Software AG has been working with companies around the world to facilitate this evolution. We offer what we call intelligent GRC (iGRC), an approach to GRC that uses proven methodologies and processes to help an enterprise create a road map toward this goal. At the most fundamental level, the iGRC road map begins with a thorough analysis and modeling of the enterprise itself: What is the enterprise business model? What strategic objectives, IT systems, processes, risks, organizational structures and controls are in place? How do they operate and interact—and how well do they operate and interact?

Once this foundational understanding has been secured, Software AG can help an enterprise understand where new technologies, controls, processes and organizational structures can facilitate both a greater ability to meet customer needs and compete in the marketplace and a greater ability to manage the organization with GRC needs in mind. As you build out the ability to operate more effectively, you are also building out your abilities in the areas of governance, risk management and compliance. As you become more agile and responsive to marketplace dynamics, you also gain the ability to respond more quickly to evolving regulatory demands (and count on it, regulatory demands will evolve over time).

Ultimately, iGRC helps you move toward a state in which you can manage the enterprise effectively, understand and meet customer needs efficiently and respond to stakeholder GRC needs in an optimal manner as well. It matters little whether those stakeholders are internal or external; your ability to provide the insights, controls and assurances that they require is facilitated by the very tools that you use to drive the business. With iGRC, you gain continuous control, continuous monitoring and continuous analysis, enabling real-time insights into the state of the organization as well as the state of the marketplace. And with these tools you also gain the real-time levers you need both to guide the organization forward and respond rapidly and comprehensively to stakeholder demands for GRC information.

Contact your Software AG representative today to learn more about how your organization can transform its approach to GRC into a source of ongoing competitive advantage in the marketplace.

The more INSIGHT you have into your enterprise and its operations, the more **EFFECTIVELY** you can refine your enterprise to MEET **CUSTOMER NEEDS.**

1st line COO, BU Director, LoB	2nd line CFO, CRO, CCO	3rd/4th lineInternal & External Audit
Increase value through improved financial and operating controls	Reduce ongoing compliance costs	Improve risk and control assurance, usually in the same or less time than previous approaches
Accelerate reporting to support more rapid decision-making and business improvement	Get notification and impact analysis at regulatory change	Reduce costs, including internal audit costs and costs associated with unaddressed control deficiencies
Detect exceptions in real-time to enable immediate responses and reduce damage	Establish a more automated, risk-based control environment with lower labor costs	Achieve a more robust, more effective auditing process
Replace manual preventative controls with automated detective controls which increases the efficiency and traceability	Heighten competitive advantage by turning risk into value	Expand internal audit coverage with minimal incremental cost
Identify control issues in real-time with automatic alerting and remediation	Single Point Of Truth (SPOT) for all GRC master data, such as risks, controls, regulatory requirements, processes, IT	Shorten audit cycles

ABOUT SOFTWARE AG

Software AG offers the world's first Digital Business Platform. Recognized as a leader by the industry's top analyst firms, Software AG helps you combine existing systems on premises and in the cloud into a single platform to optimize your business and delight your customers. With Software AG, you can rapidly build and deploy digital business applications to exploit real-time market opportunities. Get maximum value from big data, make better decisions with streaming analytics, achieve more with the Internet of Things, and respond faster to shifting regulations and threats with intelligent governance, risk and compliance. The world's top brands trust Software AG to help them rapidly innovate, differentiate and win in the digital world. Learn more at www.SoftwareAG.com.

SAG_Intelligent_GRC_4P_WP_Jan16

software AG