

The Future of GRC

Create Value by Bringing Risk, Audit & Compliance into the Boardroom



Governance, risk management and compliance (GRC) combine three business areas critical to the daily operations of today's organizations, each with a rapidly evolving landscape of its own. As the nature of this dynamic suggests, board members and risk, audit and compliance (RAC) teams must weave their efforts together to establish a holistic GRC function within an organization. However, GRC strategies and initiatives are too often driven by siloed RAC functions, which are, in turn, siloed from the board – the leaders responsible for governance. These unintegrated GRC efforts expose organizations to enormous risks and gaps in strategic decision-making.

When things go wrong, organizations can face hefty penalties, including fines in the billions and the imposition of a corporate monitor for several years, not to mention damage to reputation, revenue and growth.

How can organizations unearth the most pressing risks in a timely fashion, then escalate them to the board agenda? What shifts must occur to establish greater visibility across business frameworks? Leading RAC professionals are paving the way for these crucial changes.

A recent [Diligent webinar](#) highlighted three key takeaways including best practices that RAC professionals and their boards can enact within their organizations right now.

1. Risk, Audit and Compliance Leaders Must Effectively Articulate Their Vision and Value

Gone are the days when risk, audit and compliance teams could simply show up at a board meeting, present a new regulation, and insist upon compliance without further explanation.

Organizational leaders want to know more. Why does this new regulation matter to our company? What do our stakeholders think about it? What are our priorities, and what's our plan?

Busy board members want complex, cross-functional topics boiled down for them in a short amount of time — think 15 minutes. Boards also want RAC professionals to connect the dots. When board members see compliance and audit as separate from business, these areas can receive the “checklist” treatment rather than the careful attention they deserve.



Best Practices for Communicating GRC Issues:

- Don't present data to the board without context. Use storytelling to connect risk, audit and compliance metrics to business impact and, in turn, demonstrate the value of the RAC functions.
- Don't misrepresent or sugarcoat negative news. Boards don't expect RAC professionals to be perfect, but they do expect them to be organized and thoughtful. If there is an issue, RAC professionals need to demonstrate they've examined the root cause and can present a plan to fix it.
- Keep it succinct, relevant and truthful — and don't read word-for-word from your slides. Instead, provide the highlights and insightful color commentary that adds value to those highlights.



“The more that we can sell that story that we really are aligned with [business] initiatives, how we're aligned with the initiatives, why we're making them go faster and be cheaper — that story is really compelling and effective. And the more we can frame it in that positive light, the more likely we are to get buy-in.”

Kristy Grant-Hart
CEO, Spark Compliance Consulting

2. Today's Boards Must Take a Proactive, Not a Reactive, Approach to GRC

Many traditional sources of risk and compliance data, such as audits and regulatory updates, are backward-looking by nature. Yet survival in today's GRC landscape increasingly requires a forward view.

Consider the environmental, social and governance (ESG) issues that have emerged over the past 15–20 years, and the urgent questions that have surfaced as a result. How will the SEC, EU, UN and other governing bodies respond to world events and shape the future of compliance, reporting and business strategy?

Absent a crystal ball, boards and RAC professionals can ensure the organization monitors the right moving pieces and anticipates change before the risk landscape evolves.



Best Practices for Obtaining Proactive Insight:

- Start with an end point in mind and move backward. What are the pieces that are going to need to happen in order for your organization to arrive at that end point? Which obstacles might get in the way?
- Use tabletop and what-would-you-do exercises to translate metrics into strategic, proactive insights.
- Employ frameworks and methodologies, such as agile or design thinking and trend analyses, to productively guide conversations with the board about risk management and compliance.



“I’m not so sure that predictive indicators are as effective as conversational insight based on trend analyses.”

Dan Clark
Principal, D. Clark Risk Advisory Services

3. Organizations Must Break Down Risk, Audit and Compliance Silos

From data privacy to modern slavery, the ESG issues organizations face today are complex and intertwined. Such an environment demands that risk, audit and compliance leaders work together in an integrated GRC program and work more closely with the board to ensure alignment on GRC initiatives. Yet, all too often, risk, audit and compliance are siloed not just from the rest of the business, but they are also siloed from one another.

Nearly half of participants polled in the “Future of GRC” webinar reported that they communicate RAC issues separately to the board, instead of presenting joint findings and commentary. Moreover, fewer than half rotate personnel between RAC functions to obtain key insights into how these functions are interrelated and to give these professionals invaluable leadership experience.



Best Practices for Staying Ahead of Risk and Change:

- Have representatives from compliance, audit, risk and legal teams present common issues to the board as a group.
- Embed GRC within the business, with professional development and rotation opportunities for RAC professionals.
- Treat GRC as an ongoing commitment and prioritize it within your organizational culture.



“I’m presenting what the business is doing, not just me or my team. So it’s integrated, it’s holistic, it’s part of who we are and part of our culture.”

Kim Yapchai

Senior Vice President & Chief ESG Officer, Tenneco



“It’s just like sports: If you want to be a home run hitter, you practice, practice, practice. After five, six, eight months of doing that, you will then have an opportunity to actually contribute to a board or a senior management discussion with much more value, much more insight and much more contribution.”

Dan Clark

Principal, D. Clark Risk Advisory Services



Risk, audit and compliance officers' deep understanding of risk, combined with their mandate to prevent, detect and respond to misconduct, are critical parts of the GRC puzzle. With the right collaboration and communication practices, along with enabling technologies and a supportive culture, boards can ensure these valuable voices are heard on time-sensitive and mission-critical GRC issues.

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