

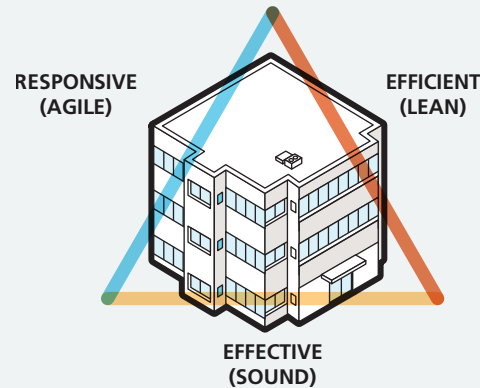
How Do We Measure the Performance of GRC?

A high-performing GRC capability delivers business benefits and is achieved through effective, efficient and responsive processes.

DEVELOPED BY



KEY ASPECTS OF COMPLIANCE PERFORMANCE



WHO IS INTERESTED IN WHICH ASPECTS (stereotypically)?

Sophisticated stakeholders are interested in all aspects of performance. However, stereotypically, each stakeholder group tends to be more focused on specific aspects. The Board must be the arbiter and balancer of these sometimes competing priorities.

EFFECTIVENESS
GOVERNMENT & ENFORCEMENT
 Typically, the government is concerned with whether a program is legally effective — whether it is reasonably designed and operating effectively. The government is most interested in whether an organization meets this effectiveness bar. It is less concerned about the costs involved to get there.

EFFECTIVENESS
COMPLIANCE, CONTROL & INTERNAL AUDIT
 Sometimes, compliance, control and internal audit professionals focus exclusively on effectiveness without considering the burden and footprint on the business.

EFFICIENCY & RESPONSIVENESS
BUSINESS OPERATORS
 Operators of core business processes such as sales, marketing, and logistics are typically focused on how to reduce the footprint of compliance and control activities — sometimes at the expense of effectiveness.

EFFECTIVENESS, EFFICIENCY & RESPONSIVENESS
BOARD
 The Board of Directors is in the best position to balance the sometimes competing aspects of performance. Effectiveness is crucial. However there are many approaches that can be used to meet the effectiveness bar — and each implies varying resource requirements and impact on the agility of the business.

RESPONSIVE TO CHANGE
 The system should be able to absorb changes in the external environment (e.g., new laws and regulations) and internal environment (e.g., mergers and acquisitions).

- Cycle time to integrate new acquisitions into program
- Cycle time to fully address new risks and requirements

RESPONSIVE TO EVENTS
 The system should detect noncompliance and adverse events in a timely manner so that action can be taken.

- Cycle time from actual noncompliance to detection
- Cycle time from detection to action

EFFECTIVE (sound)

EFFECTIVE DESIGN
 Are reasonable and sound structures in place to address risks?

- Risk coverage
- Requirement coverage
- Depth of coverage

EFFECTIVE OPERATION
 Does the system operate as designed?

- Number of substantiated issues
- Percent or Number of control failures
- Method of detection of failures

UNIVERSAL PROGRAM OUTCOMES

- Achieve Business Objectives
- Enhance Organizational Culture
- Increase Stakeholder Confidence
- Prepare & Protect the Organization
- Prevent, Detect & Reduce Adversity
- Motivate & Inspire Desired Conduct
- Improve Responsiveness & Efficiency
- Optimize Economic & Social Value

effective, responsive and efficient processes will deliver measureable program outcomes for the organization

RESPONSIVE (agile)



EFFICIENT (lean)

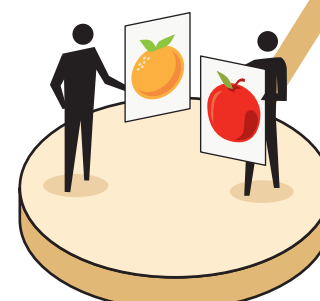


EFFICIENT USE OF FINANCIAL CAPITAL
 The system should efficiently use financial capital and seek to reduce operational costs over time.

- Total cost of risk, compliance and control activities
- Average cost to train each employee
- Average cost to resolve issues (by category)

EFFICIENT USE OF HUMAN CAPITAL
 The system should efficiently use human capital, most importantly senior executive time, and look for ways to reduce the amount of time required to perform management activities.

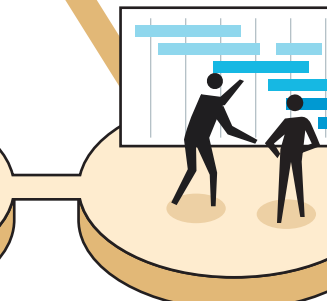
- Number of senior executives allocated to the program
- Number of senior executives per program staff
- Number of hours per month required for business line executives to perform program activities



CHALLENGE 1 COMPARED TO WHAT?
 What generally accepted and vetted standard can be used to judge a program? Not just “in principle” but at a practical and operational level?



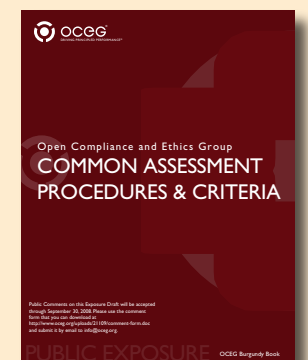
CHALLENGE 2 WHO DECIDES?
 What types of internal and external professionals have the skills to evaluate and judge the effectiveness of a program?



CHALLENGE 3 HOW OFTEN?
 How often can we (should we) put a stake in the ground so that if we need to go back in time, we can present evidence of effectiveness?

OCEG “Burgundy Book”

One way to overcome the challenges associated with evaluating and documenting the effectiveness of your capability is to use the freely available OCEG Common Assessment Procedures and Criteria – more commonly known as the OCEG “Burgundy Book.”



CAN ONE ASPECT BE CHANGED WITHOUT AFFECTING THE OTHERS?

Aspects are interdependent. Sometimes, improving one aspect of the capability negatively impacts the other dimensions. It is possible, however, to improve all dimensions with technology and innovation.

Zero-Sum Thinking
 “To reduce costs, we need to reduce the effectiveness of the system.”

Innovative Thinking
 “We can actually reduce costs and increase the effectiveness and agility of the system.”