

White Paper

Performance Strategic Planning for today's Market with Governance, Risk & Compliance (GRC), and Process Improvements

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When companies start, they prepare business plans for reaching goals. The goals normally focus on generating revenue. As they begin to produce revenue and expand, it becomes more important to add to their business plans:

- Business performance analytics with standardized business rules
- Risk management framework with controls and assessments for process activities
- Develop a global senior management governance process
- Integrate these comprehensively across the firm

When a company has grown extensively, it is highly critical to maintain the continuous enterprise-wide performance analytics and process improvements for success.

Unfortunately, as demonstrated in the current worldwide economy, companies have grown and/or became public firms, but many have obviously not implemented enterprise-wide management frameworks. Business line management have focused on silos they deal with, and senior management have not been able to capture integrated firm-wide information data that would be used for decision making. Decisions were made by only high level views of the company's performance and have missed critical risk areas. As a result, when significant risk events occurred without process controls and KRI alerts to management, they began to fall down and cause market down-turns.

Organizations today realize that innovation is not an option. They understand that in order to sustain a competitive advantage, they must remain totally committed to ongoing innovation. Flexible business models are essential to harness globally distributed resources. It is simply the only way to provide personalized offerings to customers, which is so critical to success in today's marketplace, and so critical to any organizations' innovation strategy. At the core of this distributed global enterprise environment, is the need for businesses to balance the pursuit of increasing shareholder value with good corporate governance.

Within the past decade, Enron was the major driver of market failures and Regulatory interventions of market rules, i.e. SOX 404, 302, etc. In fact, the most recent market down-turn and economy recession was driven by the subprime credit crisis. The antithesis of good governance for innovation is Enron Corporation, which was responsible for one of the largest and most complex bankruptcies in U.S. history. As the world's dominant energy trader was facing financial collapse, one Enron executive was quoted in The New York Times as saying "the company's core management philosophy was to be the first mover into a market and to make money in the initial chaos and lack of transparency." As we now know, this "core philosophy" resulted in losses in the billions, prison terms and ruined lives. Obviously, we do not want this to happen again.

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Governance, Risk & Compliance Today

Businesses today view governance, risk and compliance (GRC) as adhering to a specific mandate and providing evidence in adhering to this mandate. Since the Sarbanes Oxley Act, organizations have spent significant amounts of time and money ensuring their internal controls over financial reporting are compliant. And it's a difficult, moving target to stay in front of it all. Just last year, the Public Company Accounting Oversight Board (PCAOB), which publishes the standards for auditing control over financial reporting, introduced the Auditing Standard 5, which has resulted in companies once again re-evaluating their internal controls.

This constant change in regulations has stretched organizations' resources thin to meet new compliance needs. And it won't be getting easier any time soon. In fact, Gartner predicts that new regulations will double every six years. This would cause organizations to see a drastic increase in their cost of compliance as they satisfy one regulatory mandate after another.

It is clear that the end result was caused by firm's lack of enterprise-wide performance analytics and risk management. Firms have grown too big in certain cases and have not integrated all geographic business sectors from a data management point of view. Technology infrastructure and data sources have grown significantly over the past few decades, although captured data information has not consistently been consolidated, analyzed and used to mitigate risk and ensure continuous performance. This is what has caused billions of dollars write downs at so many companies.

Good Governance is Good for Business

It is quite evident that taking a reactive approach to risk and compliance simply will not work in regulated environments. In order to innovate and stay ahead of the competition, organizations will have to rewrite the rules of the game. It would be impossible to "play by the rules" if the rules are being written as the business model evolves. Organizations will now need to look at good governance to provide the boundaries for their operations.

Today, successful global enterprises are establishing a tone at the top that is loud and clear: Good governance will drive key initiatives. As governance provides the strategic direction for innovation, businesses will seek to maximize their returns from these initiatives. However, organizations will now need to include elements of risk management in their performance management activities. The blending of risk management with performance management provides organizations powerful insights. They can now measure and monitor performance to maximize shareholder value, while monitoring risk to ensure that returns are not diluted.

Standard & Poor's, the world's leading credit rating agency, believes that risk management is so crucial that an organization's risk management practices must be taken into consideration before providing a credit rating. Risk management will need to become an integral part of the strategy and function as a catalyst to better performance. Organizations must realize that good governance should provide strategic direction to operations, and that

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performance should be measured after factoring known risks. This approach will literally shift compliance from an arduous, costly task, to a profitable competitive advantage.

Conclusion

As the link between business objectives and managing risk and compliance becomes stronger, organizations will transform themselves into better corporate citizens and can leverage this transformation into enhancing their brand image and thus shareholder value.

Successful process activities and firm-wide performance in today's environment is definitely designed by a significant Governance, Risk, and Compliance (GRC) architectural framework and must be monitored and managed in an integrated manner across the firm. Companies with competent C-Level management are finally beginning to move in this direction for risk and performance management. The economy will eventually begin to return. It is believed that this will help you enhance your firm and provide benefits for you and your family.

Co-Create with C-Level Executive Consulting, LLC (CLEC)

CLEC's co-creative approach to GRC and process improvements can deliver successful results for you.

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agalante@c-levelexecutiveconsulting.com to co-create with us on your next generation enterprise solution.

About the Author

Art Galante is a Senior Financial and Risk Management Executive with a track record of creating the strategies, analytics, and solutions that drive financial performance, effectiveness and efficiency in premier global investment banking, financial services, technology, real estate, and manufacturing companies. He creates the finance, operational, technology, and management analytics identifying, implementing continuous process improvements and productivity that protect the business, drive profitability, and manage risk. Builds and leads multifunctional teams to turnaround or transform business operations and management decision making. He has an outstanding record of global leadership and impact, with special expertise in compliance, security and firm-wide reengineering, and is known for developing innovative strategic initiatives that generated sustainable profit growth across major financial institutions, investment banks, commercial/consumer banking sectors, hedge funds, private equity, M&A, information technology, software, consulting, BPO, manufacturing, real estate, petroleum, telecommunications, and other industry firms.