How to sell the GRC

Governance, risk and compliance (GRC) supporters are slowly gaining ground. The need for a GRC system is now accepted by half the financial market, with 38% of institutions already using one and another 12% set to put one in place, as revealed in a recent *Operational Risk & Regulation* survey. The focus has now shifted to the mechanics of setting up GRC systems and, more importantly, the politics of persuading everyone involved to support them.

"There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things" – many operational risk managers will recognise the sense behind Niccolo Machiavelli's advice to would-be reformers. And Machiavelli, in turn, would recognise that senior managers, no less than Renaissance noblemen, would be much more likely to support a reform when they could see a clear benefit in doing so. Making the case for GRC can involve using the threat of regulatory action – a threat which grows as new financial oversight laws like the US Dodd-Frank Wall Street Reform and Consumer Protection Act come into force and impose more exigent and wide-ranging demands for compliance reporting and oversight. But operational risk managers are finding that citing benefits – easier data collection for internal analysis, a better reputation with credit rating agencies and counterparties, and ultimately lower compliance costs in the long term – can be even more effective as a persuasive technique.

And this applies at all levels of the company. While a major project like a GRC system isn't going to make much headway without an influential patron at the board or C-suite level, getting buy-in from managers further down the chain of command will make the implementation process faster and smoother as well, not least by making sure the company's own processes and needs are fully understood well in advance. Changing requirements halfway through a complex project is the surest way to drive up cost, delay completion and lose support. Delay brings the risk that the final product may, nevertheless, have become obsolete before its completion.

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