Evolving your GRC mindset

Five areas to reflect for success

The world as we know it has changed. And it has exposed the fragility and vulnerability of our existence. A public healthcare issue in Wuhan, China created unprecedented challenges across the globe. This set in motion a global economic slowdown. From volatility in global oil prices and political unrest to joblessness across the world, there is now a clear inflection point that challenges the order of life as we knew it; and it has had an impact on our people, our communities, and our businesses. This includes people losing pay, companies laying off employees, and the shutting down of thriving small businesses and promising start-ups. At the same time, these challenges are creating a lot of opportunities, enabling creative thinking, and catapulting innovative solutions to prime time that otherwise might have not been invented, discovered, and/or come into existence for a long time.

Changing the mindset

While there are a lot of predictions as to what will change, who will survive, and what will be new, these events should force any responsible leaders in any industry to pause, reflect, and reprioritize what's personally important and what's important to their people and their communities. This is especially true in the context of leaders responsible for integrated risk, compliance, resilience, and assurance, who now have a new set of rules to govern by, and a new set of risks that requires a change in mindset that involves more than simply establishing controls for the sake of compliance. As one organization stated, "We have to revisit and rewrite all our assumptions related to our continuity planning, employee onboarding, and crisis management".

If you are a leader in cyber, technology risk, operational risk, third-party security, or internal audit, you are already facing the challenges of this new reality. This might just be the time for you to revisit your vision, guiding principles, roadmaps, and more importantly, evaluate how your stakeholders are faring in the larger context of today's environment and their focus on staying the course in the future. Moreover, it can help you acquire and attune your mindset to transform yourself, your peers, and your joint responsibilities.

Below are five ways in which leaders can pause and reflect upon how the current environment impacts their programs related to GRC:

- **Reflection on vision:** Did my stakeholders—internal and external—recognize and capitalize on the value of our risk and compliance programs?

- **Reflection on culture:** Did our organization stand strong in the storms of adversity caused by today's challenges?

- **Reflection on existing capabilities:** Did we have the right set of capabilities to help address the risks caused by the crisis?

- **Reflection on innovating:** Do the current challenges give us a perspective on innovation?

- **Reflection on social governance:** How did our corporate governance program help our people and communities?

Reflection on vision

Did my stakeholders—internal and external—recognize and capitalize on the value of our risk and compliance programs?

Often times, crisis tests the vision, guiding principles, and stakeholder engagement in programs that are already viewed with a bias for being cost centers. However, if the vision was strong, guiding principles were practical, and cultural awareness of risks were deep, you would have noticed that everyone made risk and compliance management a priority from crisis to this current challenge, and recognized the areas where it shined and where it needs improvement. The essence of this reflection should point you towards the strength of your organization's awareness of the values and guiding principles of your GRC program. It should ideally result in adjustments to your risk awareness initiatives that will refresh the vision of your program for your stakeholders.

Reflection on culture

Did our organization stand strong in the storms of adversity caused by this challenge?

Crisis can bring out the best and worst in our people, communities, and our businesses. No other situation can test the behavior of your employees and customers like a crisis, and it is important to ask if your GRC program has adequate capabilities to identify, evaluate, track, and act on behaviors—both positive and negative. These could range from increased levels of bias and discriminations in your environment and increased level of fraud, to people coming together to help local communities in distress. Ideally, this reflection should lead you to challenge the fidelity of the underlying mechanism you use to promote culture and values in the organization. For instance, are there adequate training and awareness programs, mechanisms to recognize and reward good behaviors while reprimanding and penalizing bad ones, and technical capabilities related to hotlines, ombudsman, and robust mechanism to protect the stakeholders and organization values? When done right, this would afford you an opportunity to galvanize your employees, customers, and shareholders through a common set of goals and aspirations.

Reflection on existing capabilities

Did we have the right set of capabilities to help address the risks caused by the events of today?

One of the first reactions organizations had when faced with closing down workplaces was to bootstrap network connectivity to enable working from remote locations to serve customers and stakeholders. An example of this is to allow employees to work from home. At several organizations, it cast a bright light on their inability to make work happen from remote locations in the form of limitations in remote access to systems, web conferencing, and inability to onboard contractors that relied on background checks from government agencies that were also shut down. As mentioned previously, this new norm also exacerbates existing problems related to insider threat, fraud, and bad behaviors that needs to be identified and addressed. This should result in an unbiased analysis of core components of the GRC program including reporting, policies management, compliance with controls and code of conduct, cyber security, fraud detection and resolution, forensics, and incident management. Probing this question further should result in an honest assessment of what really worked, what needed improvement, and what capabilities were missing and needs to be built.

Reflection on innovating

Does the current environment give us a perspective on innovation?

There is never a good time to get creative. However, necessity forces us to think of addressing old problems in new ways, regardless of limitations. The current environment has forced many organizations to think about their innovative capabilities—be it looking at the standard problem in nonstandard ways, or plainly recalibrating their ability to be nimble to meet market demands. The essence of this quest should expose the underlying thinking your organization has to support innovation as a standard practice. If there has not been a focus on this, it might be a good time to think about experimenting and boosting your risk management team's creative quotient by including expertise from data science, analytics, AI/ML, and other cutting-edge domains.

Reflection on social governance

How did our corporate governance program help our people and communities?

More often than not, organizations do not leverage their existing GRC programs to prioritize social governance, sustainability, and community impact. The risks that organizations face by deprioritizing these key capabilities cannot always by enumerated. However, a key question to probe during this time is to see if this crisis has impacted your organization and the communities it serves. And if so, were there capabilities that you were able to lean into to help and support your employees and their communities? At KPMG, we continue to see this as a growing discipline in certain industries such as healthcare, utilities and life sciences, among other organizations that are directly serving communities on the frontline.

While this may not seem an obvious moment to pause and reflect, it would be remiss to not do this to better serve your organizations and its internal and external stakeholders. The objective of this exercise is less about being critical of the gaps you observe, but more about cultivating a mindset to address the gaps effectively. This could result in identifying areas for investments, exiting certain practices that may be irrelevant, and driving an innovation agenda that sets up you, your employees, and your communities for success. In summary, we firmly believe that organizations that have paused to reflect and react will go further in their risk, compliance, and assurance management journeys than their peers who might have chosen to disregard this moment.

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