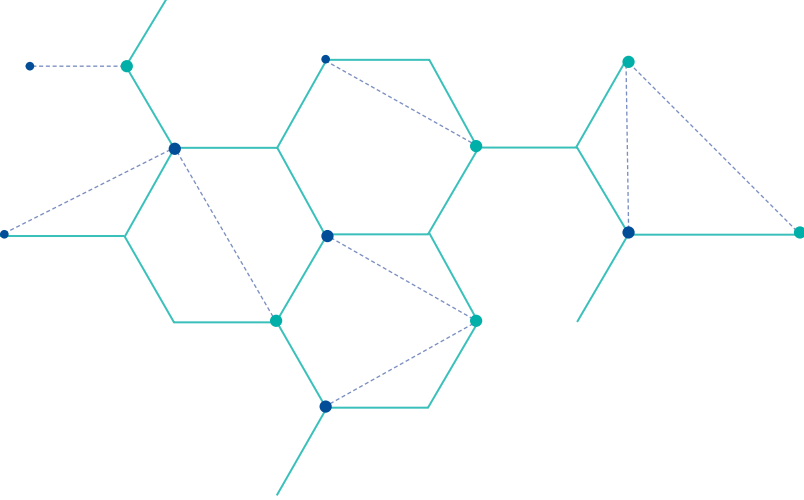




Leading from the front

**Key traits of a
GRC leader**





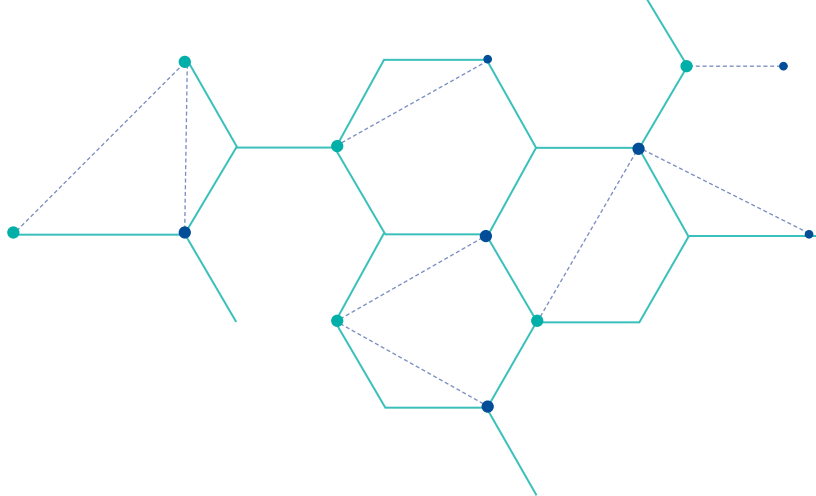
As the world continues to go through an unprecedented combination of humanitarian, healthcare and economic crises, there has been, rightfully, an incredible amount of focus on a set of seemingly disparate risk factors. This includes upgrades to regulations, geopolitical risks, the “great resignation”, cyber security, supply chain, and climate to name a few. There has also been a significant expectation on organizations to develop, deliver and sustain trust in their respective operating environments as they aspire to meet evolving regulations and environmental, social and governance (ESG) goals.

Executing an approach to meet these expectations, of course, requires technical skills and competencies. However, it is becoming more important to have a set of leadership traits that can clearly connect governance, risk, and compliance (GRC) to the needs of the employees, customers, third parties, regulators, shareholders, and communities that GRC leaders operate in.



Tackling today’s challenges require organizations to treat GRC leaders as “Trust multipliers”.





In this paper, we present a set of six (6) leadership traits that will position a GRC leader to meet today's complex challenges.

1



Systems thinker

2



Deep industry awareness

3



Collaboration mindset

4



Ability to build coalitions

5

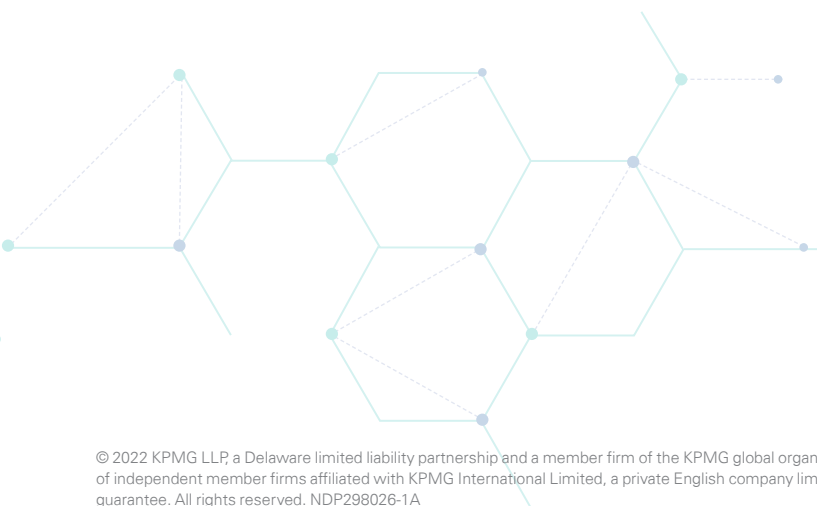


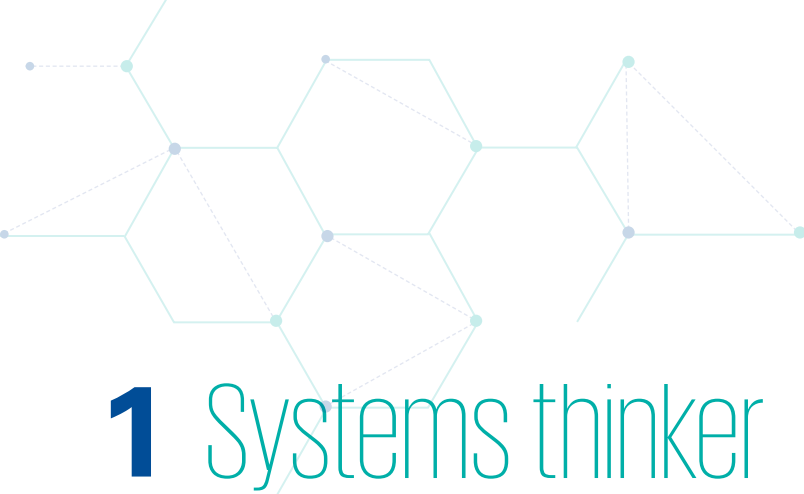
Prioritize change management

6



Relentless focus on people





1 Systems thinker

There are several ways in which practitioners define systems thinking. But at its core they believe complex problems have characteristics of nonlinearity and connectedness between seemingly different problem areas. GRC is such a complex problem space that connects diverse functions such as human resources, technology, finance, supply chain, and geopolitics, among others. In doing so, GRC is woven into the fabric of an organization's operations, employees, and culture.

As an example, organizations are experiencing tectonic shifts in how employees experience their jobs, and that has caused the phenomenon of the "great resignation." More often, organizations write this off as a human resources

issue and treat it with tactical remediations. Unfortunately, it takes a long time for an organization's senior leadership to truly connect this seemingly HR-oriented issue to a risk that materializes through several vectors such as employees not showing up to work, impact on production of goods and services, quality issues, and eventually dissatisfied customers.

A GRC leader with a systems thinking mindset (and competency) can quickly connect the dots, identify the influences of seemingly disconnected functions on GRC programs, and be able to bring a sense of balance and equilibrium that is both pragmatic and value-oriented to the organization.

2 Deep industry awareness

Embedding capabilities to manage risks and compliance into the fabric of the organization is impossible to achieve if the GRC leadership is disconnected from the organization's industry and operating environment. The real value of a GRC program is realized when an organization is able to perform at its highest level, and at the same time take measurable risks to protect its core assets. Realizing value in this manner is possible only if the core tenets of the GRC program are deeply connected to the heart of the organization's mission and the industry segment it sits in.

An effective GRC leader will understand the organization's business first, and actively connect the program elements to every part of the organization. This fosters a performance measurement and decision-making structure that articulates the value of risk management to all key stakeholders. This includes the board, various committees, employees, customers, regulators, third parties, etc.





3 Collaboration mindset

GRC is inherently made of multiple stakeholders. It is imperative that a GRC leader then should have the skills and competency to collaborate, yet advance the risk and compliance agenda forward smoothly. A collaborative environment will force the stakeholders to look around to see their legitimate connections to each other versus simply focusing on their own functions. Such environments enable GRC programs to thrive and perform significantly better through smooth communications, governance and value generation than environments that are siloed.

As an example, KPMG often finds clients with friction between cyber security and IT asset management teams. It is not uncommon to hear cyber security leaders complain about the IT asset inventory being questionable or incomplete to effectively perform cyber risk management. A collaborative GRC leader that has oversight on cyber risk management would proactively collaborate with IT leaders to jointly drive the improvement of IT asset inventory and, in many cases, even jointly invest with IT to develop the IT asset management program. GRC leaders with a collaboration mindset intuitively understand that perpetuating the friction results in a fractured GRC program that then exposes organizations to unnecessary and unforeseen risks.

4 Ability to build coalitions

While a collaborative mindset fosters a great relationship among various internal risk, compliance, and assurance teams, a GRC leader with deep skills in building coalitions can help with connecting organizations with external stakeholders such as regulators, third parties, external auditors, and communities in which the organization operates. A good GRC program caters to internal stakeholders, but a great GRC program caters to internal and external stakeholders by fostering trust among them. And it is this trust that forms the basis of proactively managing risks and adhering to relevant regulations and industry standards.

As an example, it is all too common to see organization's that "wall off" auditors due to inherent distrust created between the auditor and the auditee. Other examples include stakeholder politics, putting personal goals ahead of an organization's mission, mistreating third parties, etc. These result in an erosion of trust across the board, which has a direct impact on an organization's performance, integrity and transparency.

A coalition-building competency focuses on building trust by anchoring all stakeholders on a common mission of protecting the organization. Leaders with this competency, combined with the technical skills in GRC, become the trust multipliers.





5 Prioritize change management

GRC is not a collection of timebound projects. They are a function unto themselves and have their own journey and lifecycle similar to any core business function in an organization. And, there are changes that can come in the form of regulations, new ventures, emerging technologies, macro- economic activities, etc. Examples include ransomware, social injustice, public health crisis, or climate-related events. All of these have an impact on the lifecycle of the GRC function.

Successful GRC leaders view these changes as opportunities to improve risk management capabilities. By focusing on developing organizational change management programs, these leaders actively shift people's mindset towards embracing change to protect the organization's interests. This requires employees to treat organizational change management as an integral component of GRC function.

Our own experience in helping clients has revealed that clients that have invested in change management have had superior success to those, for example, that felt their GRC program was merely a tool implementation exercise.



6 Relentless focus on people

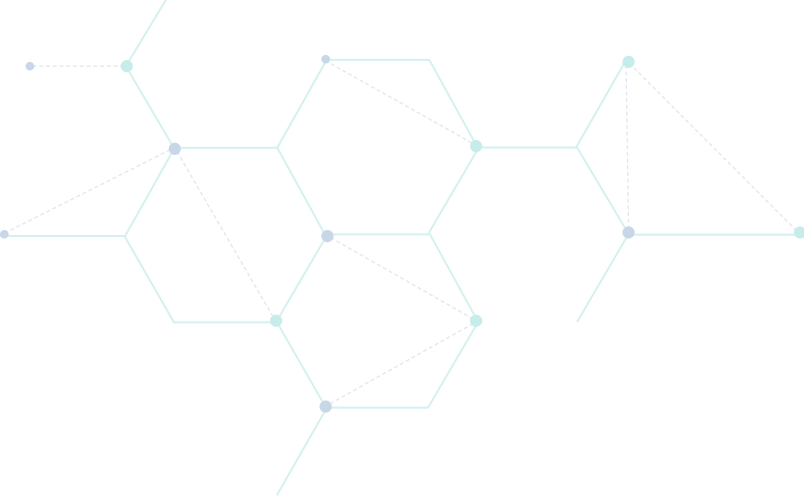
As with any functional transformation, GRC functions are edgeless and transforming them on a continuous basis is impossible without focusing on the most important aspect of the functions: their people.

As organizations are bombarded with events introducing uncertainties and regulations demanding them to be good stewards of the stakeholders they serve, it is important to focus on people and their interests. Many programs fail due to poor process or technology decisions. However, there are a disproportionate number of programs that fail due to lack of an operating model that factors in people's interests, experiences and emotions. Naturally, it is imperative that a GRC leader should not just have a high technical and intelligence quotient (IQ), but also a deep emotional intelligence (EI) that will inspire trust, change, and growth in their people in developing a robust GRC program that is sustainable.

In establishing a people-focused GRC operating model, organizations make sound decisions through their GRC journey thus resulting in a trust-based program that addresses all stakeholder interests.

As presented in this paper, GRC programs require more than technical talent. They require skills and competencies that are deep and wide ranging to help organizations perform better by having robust risk and compliance management programs. An effective GRC leader can be the difference between a value-oriented organization and a value-depleted organization. At KPMG, we believe that a leader with the traits outlined in this paper can bring a positive energy to an organization's GRC program thus protecting its core assets in normal times as well as times of extreme change.





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