Articles for Media

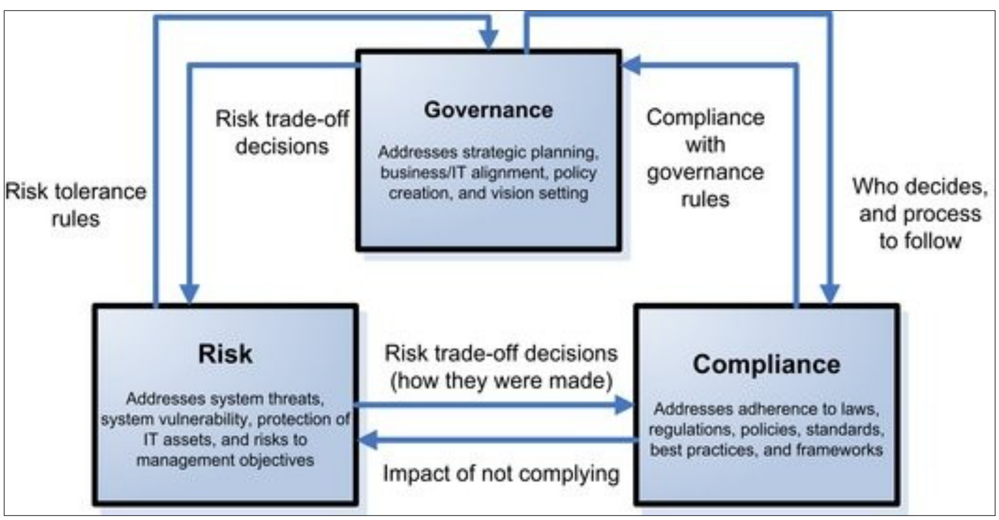
XYZ LTD., TO CASH IN ON BOOM IN GRC SPACE

Issues such as governance, risk, and compliance, have become old fashioned. But an integrated approach to these 3 key areas is where the action is. The term GRC is now in vogue, hence some companies are trying to cash in on a boom in this segment. GRC, which includes several overlapping activities, is being positioned as a single within an organization. To name a few it includes, internal audit, compliance programs, enterprise risk management, operational risk, and other such related functions.

According to market observers, the GRC industry is currently growing at a pace of 24 per cent annually. The segment currently pegged at US$ 2.6 billion is likely to cross US$ US$ 24 billion 2014.

Amongst the Indian firms, XYZ Ltd., is trying to cash in on the boom in this segment and has recently acquired the South Africa-based Cura Risk Management Software. The all cash deal of US$ 19 million is likely to help XYZ Ltd., is making its presence felt in international and Indian markets.

“We have identified GRC as our thrust area. We would like to be in the league of international peers like BWise, OpenPages, Steinberg Governance Advisors,” Mr. GBR, CMD, XYZ Ltd., said.



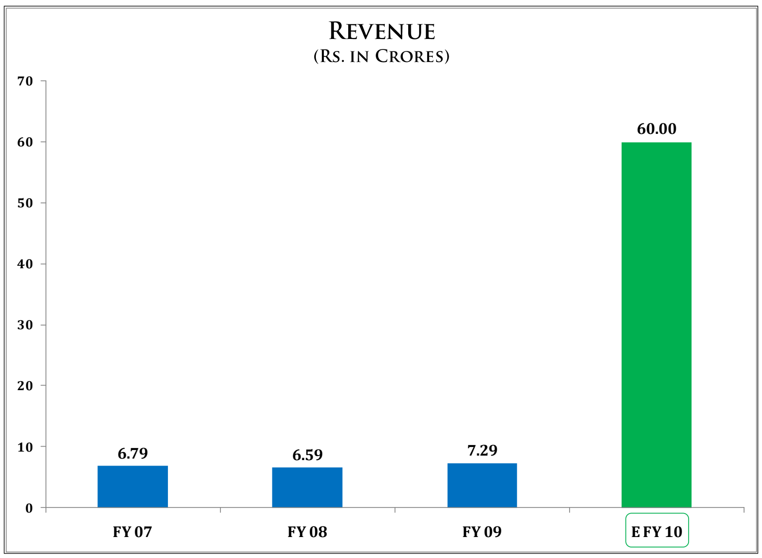
Relationship between governance, risk, and compliance

“Towards this end, we have recently acquired South Africa-based ABC Ltd. This would ensure us a six-fold growth in terms of revenues to Rs 60 crore by end of current financial year. The revenue would touch US$ 200 million mark in next five years,” he said.

According to Mr. GBR, GRC will continue to grow multifold based on the following premise:

Risk will continue to grow in importance.

This conclusion is partly based on the assumption of likely occurrence of major security breaches that significantly impact corporate reputation. Many companies are also placing increased emphasis on risk management activities as a result of the impact of the current financial crisis. Yet another driving factor is the increasing emphasis on risk management within the Rating companies on corporate evaluations. Companies are today feeling that an improved rating can have important financial benefits for them, and improved risk management is a good way to improve their ratings.



Besides putting more emphasis on risk management, most companies will begin to make it more strategic, and less purely tactical. Risk management activities will shift from after-the-fact to an integral strategy component that is evaluated up front.

Risk and compliance initiatives will continue to get consolidated.

Many companies have focused on compliance in the recent past. The current environment will lead to an increased emphasis on risk management. But, the trend towards consolidation of risk management and compliance activities will continue, as companies start to reap the benefits of a unified approach to GRC, and their success stories start to be communicated to similar companies across industries.

A shift in how risk is perceived and categorized.

There have been many different taxonomies of "risk" by various analysts and industry groups, many of which define categories of risk that are markedly different from each other. Over a period of time this kind of delineation of risk is likely to decrease as the interdependency of risk becomes more apparent. The risk categories of credit, market and operational risk will start to dissolve as businesses start to view their business risk more transparently and holistically.

Continued regulatory requirements.

There are thousands of rules and regulations both in the Indian and in the US government pipeline and these are only likely to increase further over a period of time. Hence as the financial crisis continues and companies adapt their governance efforts to attempt to reduce their overall enterprise risk, the importance of GRC is likely to grow by leaps and bounds.

♦♦♦