

Corporate Governance: Making the IT Connection

Today, business executives must be preoccupied with corporate governance, all day, everyday. Nothing can take place, no move made, without ensuring that the proper Governance, Risk and Control (GRC) procedures and precautions are in place and adhered to.

But how do executives reconcile the need to manage their companies to achieve competitive advantage and maximize profitability while meeting the onerous requirements for continuous oversight in every corner of the business? A big part of the answer lies in IT.

IT shifts the key tasks of monitoring, collecting and sorting scores or more data points and generating reports to an automated function. IT does it for financials, for inventory, for customer and supplier relationships. Robust, well-designed IT systems and processes can do it for corporate governance. Canadian businesses are already recognizing this. An IDC Canada white paper includes survey results that show a significant majority of top Canadian businesses say information technology systems play an essential role in helping them meet their corporate governance objectives. The white paper, titled *Governance Challenges: Does IT Offer A Solution?*, reveals that 69 percent of C-level executives interviewed point to IT's important (43 percent) or critical (26 percent) role in achieving corporate governance goals.

They believe this because, as a senior Canadian executive recently told IDC, "[Our] board spends a lot of time on governance and the directors feel with the increased focus on governance, there is never time to talk about our business issues."

IT enterprise applications offer predictable, repeatable processes and transparent information, providing a strong foundation for good corporate governance. GRC software running beside these business applications, integrated with Enterprise Resource Planning (ERP) functions for audit and internal control, can add substantial functionality that provides effective governance, minimizes risks and ensures the transparency of operations necessary for compliance. GRC software can support compliance around the clock via real-time scanning and simulation to stop security and controls violations before they occur. The software can:

- monitor critical transactions across the enterprise;
- test and enforce segregation of duties for conflicts;
- automatically detect violations;
- initiate automated workflow to resolve issues; and
- analyze proposed changes in user access and authorizations for risk.

As an executive notes in the IDC survey: "The key is standardization of process and work activities. Our ERP solutions have been a critical part of our governance initiatives and have had a significant positive affect on the maturity of the enterprise."

Compliance officers use IT tools to define functional roles and their related permissions, perform ongoing checks, and work with managers to review roles and conflicts. Even better, IT can help ensure compliance with governance mandates to minimize surprise and reduce the exposure of the company and its stakeholders.

Joel Martin, vice president, Enterprise Software, IDC Canada, emphasizes that, "...companies indicated that integrating corporate governance initiatives with proven IT

systems led to key benefits, including greater efficiencies, better productivity, less duplication of effort and cost savings."

Fifty percent of an organization's governance efforts are spent on finding the right information multiple times, show survey results within the white paper. When asked to specify a single benefit from integrating IT and governance, companies overwhelmingly cited greater operational efficiency (57 percent of respondents). Other benefits included increased productivity (14 percent), cost savings (13 percent), greater transparency to shareholders (12 percent) and accelerated implementation of governance processes (9 percent).

IT can also help prevent GRC initiatives from becoming a constant concern for executives, board members and, eventually, shareholders. When companies embed compliance into IT business processes and daily procedures, and apply IT tools and systems to monitor and report on business and financial activities, they maintain a compliance balance that becomes the first step towards maximizing the governance function.

The IDC Canada survey shows that by making it easier for staff to access the right information through automated IT, companies were able to drive collaboration, reduce costs resulting from accessing the same data from multiple systems, and proactively monitor their business. "These are all-important steps as they can free up operational staff and allow leaders to focus on the running of the business, not simply monitoring and reporting," says Martin.

Corporate governance is critical for all companies – large, small and midsize, public and private alike. All must meet evolving and tightening regulatory requirements including Sarbanes-Oxley (SOX) legislation, the Personal Information Protection and Electronic Documents Act (PIPEDA), and the Workplace Hazardous Materials Information System (WHMIS) standard.

Even if a company doesn't have to address these and other mandates, it may conduct business with others that insist on compliance from their partners – especially as firms begin to release internal information and business processes to select collaborators through Web services. In addition, private companies may need to prepare for acquisition or listing.

Clearly, leading Canadian companies are already reaping the business and competitive benefits of letting IT do the heavy lifting for governance, risk and compliance and implementing best practices. Their success, in the face of unprecedented demands for regulatory compliance and pristine corporate governance, provides a compelling template for other firms to follow and build upon.

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