



BREAKING THROUGH THE VALUE CEILING

Technologies implemented to meet operational needs bring tangible benefits to an organization with focused, tactical functions. These tools bring value to organizations due to the focus on the specific business challenge at hand and most often help achieve goals at the operations level. However, certain processes need to lead to greater enterprise value.

This paper uses the RSA Archer GRC Reference Architecture to illustrate the value of operational technologies while acknowledging there is a “Value Ceiling” for some niche operational tools, highlighting the missed opportunity for broader value.

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RSA PERSPECTIVE



DEFINING THE VALUE CEILING

The theory of diminishing marginal utility (DMU) is a concept used in economics to describe the decreasing value associated with a product or service over time as more units are consumed. A classic example is the all-you-can-eat buffet. The first plate is wonderfully satiating. The second plate tastes good but the eater becomes full. The third plate borders on gluttony, and the fourth plate is just too much food at that point for anything to taste good. The theory defines the premise that certain products or services have a point at which no further value is derived despite additional consumption.

A postulate of this theory of diminished value can be applied to tools and technologies. For instance, a hammer reaches a limit of its value in home construction. When driving nails into studs, the hammer delivers its highest value. When installing pipes for plumbing, the hammer may be used infrequently and is of limited value. While this doesn't follow the DMU principle exactly, the basic premise is that, in certain circumstances, a tool only brings value within the context of the original need.

Companies have long purchased technology products to fulfill a certain operational need. These niche products meet defined objectives and bring value to the company in the area for which it was purchased. For example, companies needing to automate customer billing buy an accounting package to handle this process. In this analogy, a company purchases a hammer to drive in nails. These types of scenarios are as numerous as the business processes in any organization. Each individual process may require one or more tools to meet objectives.

If implemented successfully, these niche products have a point where their value is fully realized but is limited contained within the original intent. In some cases, potential value of the product could be derived beyond the initial scope. For example, the accounting package that manages customer billing could greatly benefit other processes, like inventory management and supply ordering. However, without a connection to these other niche enablers, the accounting package has a diminishing return or a Value Ceiling.

A Value Ceiling is the point at which the technology enabler achieves its operational value but can no longer provide greater potential enterprise value due to constraints, lack of connections, or other barrier. This accounting package example is the basic driver for the evolution of Enterprise Resource Planning (ERP) systems. The connection of financial processes across the organization enables individual tools to break through this Value Ceiling to bring greater value to the organization.

VALUE CEILINGS IN GRC

Governance, risk and compliance (GRC), like the previous ERP example, has its own set of processes that are typically enabled by niche tools and technologies. The nature of tools and technologies that support GRC programs is varied and can extend over a considerable swath of the organization. Risk and compliance management processes can be enabled by all kinds of technologies ranging from massive, complex global business applications to individual spreadsheets and everything in between. There are some core business processes that are intimately related to GRC that deserve a second look. The question is: have the current technology enablers in these critical functions reached the Value Ceiling?

The RSA Archer GRC Reference Architecture (Figure 1) helps place processes in the context of the bigger GRC picture. The Architecture represents the full 'stack' of organizational elements and processes that will ultimately result in the visibility, efficiency, accountability and collaboration needed to optimize business. (See white paper on the RSA Archer GRC Architecture for more information.)

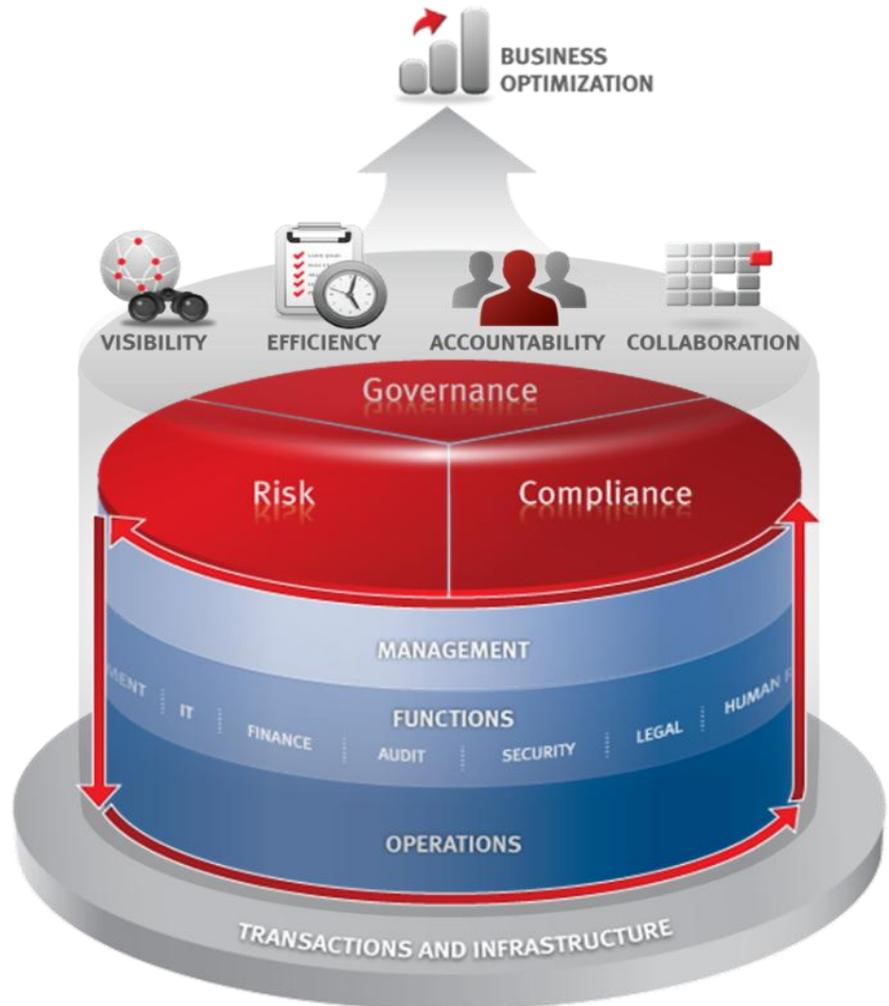


Figure 1: RSA Archer GRC Reference Architecture

Technology enablers supporting GRC processes fall into three general categories:

1. Technologies that operate within Transactions and Infrastructure

A vulnerability scanning technology is an example in the IT Security function. This technology is used to identify vulnerabilities within IT systems and platforms to detect where the company may be susceptible to the risk of a security breach. Other examples include spreadsheets that model specific financial risks or transaction monitoring systems that identify potential fraud or segregation of duty conflicts, or inform key risk and control indicators.

2. Technologies that enable Management, Functional or Operations processes. These technologies enable a set of processes within specific departments. A Disaster Recovery package that organizes and catalogs disaster recovery plans is an example. This technology is one of the tools the IT department may use to manage the key risk of business disruption. Other examples include audit management platforms used by Internal Audit or legal research portals utilized by corporate compliance.

3. Technologies that enable a core GRC process.

These technologies support end-to-end, multi-faceted processes that facilitate the GRC program, establish governance, manage overall risks and meet compliance obligations. Pure GRC technologies that manage policies, compliance processes or risk assessments would fall into this category.

All of these technologies bring value to an organization. Category 1 technologies, by their tactical, specialized nature, inherently have a defined value with little utility extending beyond the Transactions and Infrastructure layer. Category 3, by definition as GRC enablers, will carry their value to the highest level, providing management with the mechanism to communicate and report on the risk, compliance and performance of the organization.

All technologies will have some boundary of value for an organization. No technology is immune to this limitation. However, there are certain technologies – mainly in Category 2 – that can hit a Value Ceiling. Note that the Value Ceiling does not imply that the technology enablers provide no value. It simply means there is a noticeable boundary of value the technology brings to the organization while there is still potential for the technology to be leveraged for greater enterprise value.

Disaster recovery (DR) technology is a straightforward example. A DR tool may efficiently and effectively organize recovery plans, enable emergency notifications during disasters and provide a centralized repository of DR materials. If that is the organization's singular goal for the technology, then its value is fully realized.

However, if an organization would like visibility into how well IT systems are positioned to handle business disruptions in the context of other risks or utilize information gathered through the DR process, such as the Business Impact Analysis, for other activities like security management, the technology will hit its Value Ceiling. Value could be extended beyond this Value Ceiling via integration, data extraction and reporting, or simply providing wide access to the DR system. However, each of these options has a related cost, adding development and maintenance expense, time and resource efforts, or security risks and administrative overhead.

The RSA Archer GRC Reference Architecture illustration (Figure 2) is a simplification of Value Ceilings in GRC but denotes the concept. The areas in yellow represent technology enablers and the boundaries of the yellow areas denote the extent of the technology's value. Note the yellow area is gradually reduced to a small stream denoted by the dotted lines.

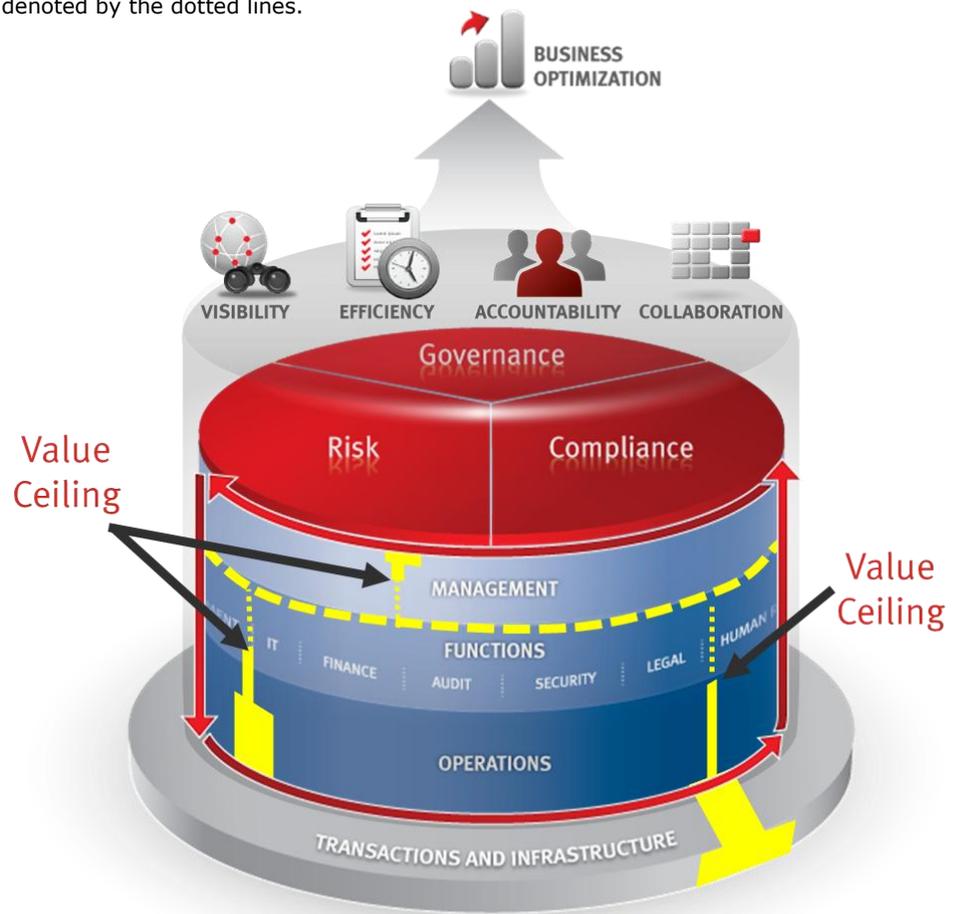


Figure 2: RSA Archer GRC Reference Architecture

While the technology's value is fully demonstrative for its respective purposes, the enterprise value of the technology gradually diminishes and is eventually lost due to the "disconnect" in the context of the larger picture. In addition to operational tools, tools used by Management can also strike a Value Ceiling if they do not penetrate deep enough into the organization to adequately influence outcomes.

The critical boundary is the connection between the Management and Functions layers. If this boundary remains, the ability of the technology to decisively impact the organization can be lost, resulting in a Value Ceiling.

As the RSA Archer GRC Reference Architecture illustrates, the end goal of GRC processes is providing management with the full visibility, efficiency, accountability and collaboration to achieve business optimization. Tools used to feed data and information upward need to provide the right level of detail, summarization and context to inform management of the state of performance, risk and compliance. In addition, technology enablers that aid management in communicating guidance to stakeholders must drive deep enough into the organization to be effective. If management is releasing guidance through a little used portal, or leveraging a metrics system that does not connect deep enough within the organization to drive behavior, those systems are striking the Value Ceiling.

Processes and technology enablers that are hitting the Value Ceiling fall short of providing critical enterprise value. However, not all technology enablers are candidates to enable true enterprise value. As described previously, certain infrastructure components will always need to be implemented.

There is no substitute for deep, purpose built, highly optimized transactional systems. Security technologies, risk modeling software, transaction monitoring systems and a host of other systems are necessary to manage risk and maintain compliance. Generally, Value Ceilings are going to affect other areas of the organization. Category 2 enablers – those technologies that support key operational and functional areas – are typically the primary suspects to investigate for a Value Ceiling.

BREAKING THROUGH THE VALUE CEILING

The need to optimize the value of technology enablers is universal. Organizations today face tighter budgets and resource constraints that force management to squeeze out every ounce of value, particularly from technology enablers. The efficiencies gained by the deployment of a purpose built tool can be tremendous. Technology unloads many mundane, repetitive tasks from the people within the organization, allowing them to focus on the truly important facets of business processes. In light of this, a technology enabler that has hit the Value Ceiling is an indicator of lost opportunity for greater impact on the organization.

From a GRC perspective, there are key processes that are more likely to have technology enablers that are “hitting the ceiling.” These are processes that address major risks to an organization’s success, such as business continuity, strategic planning, and third party risk, or processes integral to maintaining compliance, such as audit management. DR is a prime example, since the organization could more fully leverage business impact information gathered from the DR process. However, with this information locked away in a siloed system, this value is never fully realized.

There are ways to break through the Value Ceiling for GRC:

- **Manual Intervention**
There is always the manual “spit out a report, summarize in a spread sheet and paste it into PowerPoint” method. While this remains an option, measured against the increasing need for efficiency and real-time or near real-time data, this method may fall short.
- **Integration of Silos**
Many technologies have integration capabilities, and this is an option for organizations that are locked into particular technology choices due to contractual or organizational requirements. The costs for integration can vary depending on the nature of the integration, ranging from simple data extracts and loads to deep business logic integration.
- **Removal of Silos**
GRC technologies are breaking into many more adjacent spaces or offering more connections to tangential processes. Business Continuity, Audit Management, Security Management and Third Party Risk are key areas that GRC technologies are adding to the suite of pure GRC processes.

A company’s ability to break through the Value Ceiling for key risk and compliance enablers is a differentiating factor in the long term success of its GRC program. The capability to leverage output from one risk or compliance process as an input to another business process is the definition of an enterprise approach. Utilizing business process criticality derived from Business Impact Analyses within Business Continuity Management programs to better inform audit planning, rationalize control design and

prioritization, define key supply chain relationships, and handle security incidents is a perfect example of a highly functional enterprise GRC program. Data flowing from one process to another – adding dimensions and complementing other data – provide managements with a complete picture. Clearly, there is no Value Ceiling for this approach – it is beneficial for all.

One important side note is realizing that it may not always be a technology enabler that can hit a Value Ceiling. A Value Ceiling can also be reached for a manual process, as well, if information from that process could benefit others. The concept of the Value Ceiling is something that organizations should apply when analyzing existing functional and operational processes.

Process owners should ask themselves “what value could we achieve if we shared this data with others?” The most important concept is identifying potential extended values for the organization and determining how best to break through the Value Ceiling.

Here are some simple questions you can ask to see if there is a Value Ceiling on your organization’s technology enablers:

- What individuals in the organization request my data on a regular basis?
- Are they asking for something that could be made readily available to them, rather than via an ad-hoc request?
- How long does it take for me to compile and share information to external stakeholders?
- What reports do I spend time putting together for others when all of the data is readily available to me?
- Are there risks involved in the time lapse between the request and fulfillment of data sharing? Does the risk to the organization increase because information is not delivered fast enough? Is there risk associated with the data if it is outdated by the time it is delivered?
- What processes do I wish I had more visibility into?
- Which dimensions of the organization’s assets (this could be everything from customers to information servers to facilities) do I wish I could add to my view to better understand that asset? Where do those dimensions reside?
- Are there dimensions of these assets I know could benefit others if they only had visibility to them?

CONCLUSION

The Value Ceiling is a simple concept – it represents a boundary between current value and potential value. Enterprise GRC programs should look for opportunities to remove these ceilings as much as possible to optimize business. This is part of the maturity process for GRC within an organization. As the program matures, the boundaries of processes become easier to identify and return on investments is simpler to distinguish as GRC efficiencies are realized.

While removing a Value Ceiling may require some work, the end result is increased value to the organization. In some cases, organizations will have to bore holes into that ceiling to get glimpses between the layers of their organization. In other cases, the ceiling can be removed completely and processes can continue up to the next higher level.

Asking key questions will highlight whether or not the Value Ceiling has been reached. The route to break through that ceiling will then need to be explored. Regardless of the method, tapping into that potential value will bring substantial long term return.

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