

**E-BOOK**



# HOW TO BUILD A COMPELLING BUSINESS CASE FOR ERM SOFTWARE

THREE STEPS TO PAVE YOUR PATH TO SUCCESS



Convincing leadership to invest in new ERM software is often the most challenging part of the purchasing journey.

Risk teams must persuade others that the value of ERM software is enough to justify the spend – and the effort. And that’s no easy feat at a time when budgets are scrutinized, and staff is stretched thinly.

A successful business case will go beyond just the cost of the software and the time that will be saved by the risk management team. To secure the full support of leaders, you have to elevate the conversation to focus on the value, performance, and competitive edge that modern ERM software will bring to the entire organization.

This guide will help you gather the necessary facts and articulate the value – and use that to cultivate support for ERM software among decision-making leaders across the organization.

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## STEP 1: CALCULATE YOUR CURRENT COSTS

Any business case must start with an analysis of current costs, both direct and indirect. Indeed, the initial cost outlay of ERM software is often one of the biggest hurdles – especially if a perceived low-cost tool like spreadsheets is currently in use.

But just because a program is already on your computer, doesn't mean it's free.

The true cost of a solution must be measured in terms of the total operational cost to the organization over the long term. Using spreadsheets, for instance, to manage business risks or comply with multiple regulations can create substantial threats that translate into real costs that can significantly impact the business.

Here's are seven expenses to consider as you add up the true cost of your current technology:

**1. TECHNOLOGY.** No matter what system you're currently using, you're already spending money on some kind of technology to manage risk. The total cost of maintaining multiple separate systems and spreadsheets might surprise you. This is all money that can be redirected to ERM software.

*What are you currently paying for licensing and subscription fees?  
What does it cost to maintain the system and make necessary upgrades  
to meet your expanding needs?*





**2. TIME.** The time required to manually collect, input, validate, format, and consolidate data can add up to a significant expense. And then you have to spend more time extracting relevant information – again often by hand – from thousands of spreadsheets or other disparate systems into meaningful reports. When the right information is finally corralled into a report, chances are high that inconsistencies will surface, requiring still more time and effort to correct before a final report can be delivered.

*How much time are you spending on routine tasks that could be performed better by software – and what strategic tasks are consequently falling by the wayside?*



## TIME IS MONEY

Here's how the numbers add up:

**1. Calculate the hourly employee cost. Each person represents a cost (salary plus benefits) to the company, which can be broken down into an hourly figure.** Total compensation for this example is \$125,000.

40 hours/week x 52 weeks/year =  
2,080 hours of total work time per year

\$125,000/2,080 hours per year =  
\$60/hour for this employee

**2. Multiply that by the monthly hours spent managing risk.**

Survey first- and second-line risk managers to find out just how long it takes them to identify, assess, manage, monitor, and report on risk. The individual in this example spends 40 hours per month on these tasks.

\$60/hour x 40 = \$2,404

**3. Multiply that by 12 months.**

\$2,404 x 12 = \$28,846 per year  
for one person to manage risk

**4. Multiply that by the number of risk owners to estimate the total cost of time.**



**3. NONCOMPLIANCE.** Regulators are paying close attention to the processes companies have in place to manage risk holistically. Fines and other costly penalties are very real consequences. Failure to keep up with regulations also can set off shock waves that will reverberate through multiple areas of the business causing untold damage along the way.

*How much are you paying in fines and penalties?*

*Simply adding more people to the team is not the answer to maintaining compliance, as evidenced by the legions of companies that tried and failed with that route. Regulators have no patience for organizations that continue to stick with disparate legacy systems that get in the way of responsible risk management.*

**4. INACCURATE DATA.** Humans make mistakes. The more manual your processes are, the more vulnerable you are to errors. A single faulty cell can infect every interlinked spreadsheet, generating an avalanche of misinformation. Using incomplete, outdated, or otherwise inaccurate data to make decisions will cost you plenty – and you might not even know the full extent of the damage.

*How much is inaccurate data costing you?*



Use this [Enterprise Risk ROI Calculator](#) to estimate how much time and money you could save with modern ERM software.



**5. MISSED OPPORTUNITIES.** And then there's the cost of lost opportunity. Point solutions or spreadsheets are great at giving a snapshot of information at a single point in time. But that isn't much help if you're trying to monitor ongoing performance or analyze relationships over time. And if data is stored separately – by location, users, functions, etc. – it's almost impossible to visualize the relationships between critical risks or the cumulative impact on the organization, let alone have the wherewithal to find often elusive opportunities for growth.

*How much are those missed opportunities setting your business back?*

**6. FRAGILITY.** Working with outdated or incomplete information undermines your ability to react quickly to changing conditions or make accurate decisions for the future. The fragmented view you see from siloed spreadsheets or departments also puts you in danger of overlooking seemingly inconsequential individual risks that together add up to disaster.

*How vulnerable are your current systems and processes making you?*

**7. A BAD REPUTATION.** In today's always connected world, one wrong move can inflict lasting damage. To survive in a world dominated by social media, mobile devices, and relentless scrutiny by everyone inside and outside the organizations, leaders need the tools to make wise decisions about risk at an accelerated pace – and they have little room for error.

*What could a reputational hit cost you?*



## STEP 2: DETERMINE THE ROI OF NEW ERM SOFTWARE

Any new software does, of course, come with upfront costs, but those costs must be considered in context of the value that will be gained by the organization.

*Need help crafting a comprehensive RFP for ERM software?  
Check out this customizable template.*

**DOWNLOAD THE ERM  
RFP TEMPLATE**



## Budgetary Items

It's important to understand what is included and what is not to avoid surprises down the road.

**IMPLEMENTATION COSTS.** There is much you can do to smooth the implementation process, which will save both time and money. Here are three ideas:

**1. Define your success criteria at the start.** Avoid delays, confusion, and scope creep by defining your business requirements upfront. Those requirements will drive the technical specs, user-acceptance testing criteria, and ultimately measure the success of your project.

**2. View your current processes with fresh eyes.** Just because you've always done something one way doesn't mean it's the best way. Take this opportunity to streamline your processes and eliminate redundancies.

**3. Find out what you're paying for.** Will the system require extensive – and expensive – customization to suit your needs or is it largely ready to go? Are all of the data services you need included in the estimate? Will data cleansing, for instance, be an extra cost – or will those responsibilities be pushed back to you?





**Training and support costs.** The budget for any ERM solution should include training and support to help users adopt the system and use it as intended. Your total training investment will depend on the system itself. Software that is both intuitive to use and built on a familiar platform means users will need less training to get up to speed – which also translates into faster time to value for the organization.

Beyond any initial training, your organization should have access to ongoing support from the vendor. Find out what type of support is included in your contract and what would cost extra. And how self-sufficient can you be? You should be able to make day-to-day changes like adding a field on your own without help from the vendor or your IT department.

**Licensing fees.** Depending on the type of ERM platform you choose, vendors may charge an annual license or subscription fee based on the number of users that have access to the system. While this does represent an ongoing obligation for the business, the cost is relatively small when compared to the cost of managing enterprise risk through traditional methods.



## Value Added by ERM Software

ERM looks to increase an organization's value by both minimizing losses and maximizing opportunities for growth. And that value must be factored into your ROI calculations.

With modern ERM software, you can see far enough upstream to proactively staunch a threat instead of scrambling to contain the fallout. You get a comprehensive, accurate view of risk across the enterprise to inform your decisions – all from one place.

Here's what that means for your organization:

**Get more impact from fewer people.** Integrated ERM technology automates routine tasks, workflows, and follow up, which drastically reduces the number of human hours needed. The time saved can be redirected to strategic tasks that add more value to the business.

**Collaborate freely on actions to propel the business forward.** ERM software helps teams see beyond their own separate – and possibly conflicting – agendas and come together to decide on the best course of action for the business as a whole.

**Know what risks are worth taking – and which are not.** ERM software gives you the means to visualize your risks, the relationships, and the impact on the organization. You'll know when an opportunity outweighs the potential risk. You'll also be able to prioritize your actions based on which risks could cause the most damage to the business.



**Strengthen your resilience.** ERM software gives you the real-time intelligence you need to adapt quickly to changing conditions and thrive in an environment of fast-moving interconnected risks.

**Protect your reputation.** ERM software gives leaders the tools to make wise decisions about risk at an accelerated pace – essential for survival in a world dominated by social media, mobile devices, and relentless scrutiny by everyone inside and outside the organizations.

*Having modern ERM technology in place sends a strong message to regulators that you take risk and compliance seriously – which can remove a very expensive target from your back.*



## STEP 3: TELL YOUR STORY

The final step is to pull together all of your research and analysis into a cohesive story to help decision makers understand the need for ERM software and why the benefits justify the investment.

While it may be tempting to present a rundown of facts and figures, that alone is not likely to lead to success. You need to move the discussion away from back-office expense to a strategic tool that is essential to the organization's future.



## Business Case Structure

A well-crafted, thorough business case will clearly define your goals, costs, expectations, accountability, and timelines in a way that will help you win budget – and buy-in.

Here's what to include in your business case:

1. **Executive summary**
2. **Current challenges**
3. **Solution description**
4. **Cost overview**
5. **ROI/Value added**
6. **Timeline**
7. **Team and responsibilities**
8. **Next steps**





## Articulate the Value to the Organization

ERM software gathers all risk-related information into one source – which alone adds value to the organization by increasing efficiency in the process, as well as accuracy and consistency in the data.

ERM software also can:

- **Identify threats** – including industry-specific, general enterprise, and emerging issues
- **Assess the impact of risks** – both positive and negative
- **Visualize the interdependencies between risks** – by frequency, severity, and exposure for both insurable and noninsurable risks
- **Enhance communication** – with reporting and dashboards
- **Reduce costs** – by adding automation and eliminating duplicate work
- **Prioritize risks** – so you can direct your efforts where they matter most

You can leverage data, workflows, assessments, and reports and make risk a part of every critical decision throughout the organization. People at all levels and functions will be able to understand the organization's approach to risk – and take personal responsibility for managing risk in their everyday work.

## Connect with Decision Makers

Don't forget to address how the technology will benefit the individuals in your audience. For the chief compliance officer, for example, highlight how the software will help avoid penalties and litigation for noncompliance. For the CTO or head of procurement, focus on security and usage. Has the underlying platform already been approved for other uses? For the CEO, focus on how the software will provide critical facts quickly for more accurate and timely decisions.

When your objectives coincide with your decision makers', it's much easier to gain support.



## Bring It Across the Finish Line

In an environment of fast-moving, interconnected risks, the business cost of reacting too slowly or ineffectively multiplies by the second.

**ERM is essential for companies that want to act quickly and decisively – and it can only be executed with integrated, purpose-built ERM software.**

ERM software gives you an unobstructed, contextual view of risk across your enterprise. You can see every risk, how each one connects to other risks, and how the impact rolls up to the enterprise level. That view is virtually impossible to get with spreadsheets or legacy system.

Looking at it from another perspective, how would the cost of new software compare to the damage inflicted by a bad decision made with outdated or incomplete risk information? And since risk rarely comes alone, what about the damage cost of a string of bad decisions?

Agile companies know that risk management is no longer about just avoiding risk; it's also about identifying opportunities to grow the business. And that takes the power of today's cloud-based ERM software. The biggest risk – and cost – could come from doing nothing at all.

For more on Riskconnect's ERM software solution, please visit [riskconnect.com](https://riskconnect.com).





## ABOUT RISKCONNECT

Riskconnect is the leading integrated risk management software solution provider that empowers organizations to anticipate, manage, and respond in real-time to strategic and operational risks across the extended enterprise. Through its unique risk correlation technology, over 900 customers across six continents are benefitting from actionable insights that have not been previously attainable to deliver better business outcomes. To learn more, visit [riskconnect.com](https://riskconnect.com).

