TECHNOLOGY AUDIT

IBM OpenPages 6.0

IBM

SUMMARY

CATALYST

IBM OpenPages 6.0 is a comprehensive governance, risk, and compliance (GRC) platform with modules that address the major areas of enterprise risk management (ERM), including financial controls management, operational risk management, IT risk and compliance, internal audit management, and policy and compliance management. For large organizations, the often overlapping demands of multiple regulatory and compliance mandates impose a significant cost and resource burden; OpenPages 6.0 aims to simplify this task and reduce the risk of non-compliance.

KEY FINDINGS

- A powerful end-to-end platform for enterprise risk management.

- The common metadata layer integrates diverse areas of risk analysis and shows interdependencies.

- Strong capabilities for visualization and ad hoc exploration make risk management accessible to business users.

- Links easily to external sources of risk and compliance data.

- The acquisition by IBM provides both go-to-market and product integration opportunities.

- Would benefit from integration with a formal record management system such as IBM FileNet.

OVUM RECOMMENDS

- OpenPages is best suited to large enterprise environments where risk management is a significant part of regular business operations. These include financial services and other highly regulated industries such as pharmaceuticals, energy and utilities, manufacturing, and consumer goods. Ovum believes that these industries would benefit from replacing point solutions for GRC with a unified platform, particularly where existing solutions involve extensive manual and error-prone work.

- OpenPages is less well suited to small and medium-sized organizations (<$1bn in annual turnover) which are looking for a general risk management solution or to address a specific area of compliance not currently supported, such as health and safety. In these cases, there are lower-cost solutions that will be a better fit for the job.

VALUE PROPOSITION

Particularly in larger organizations and in regulated industries, the effective management of risk is seen less as a defensive obligation and more as a potential source of competitive advantage. Risk is an everyday reality, in areas ranging from financial reporting and liquidity through to IT operations and environmental controls. Assessing, managing, and optimizing the risk position while reducing the administrative costs of compliance is a key business objective: those businesses which are able to achieve this as an integrated part of their operations will benefit in the market.

OpenPages' value proposition embraces this thinking, providing a holistic approach to enterprise risk management which addresses risk management data in a business context and aims to automate and simplify the associated processes. Another key trend is the shift of risk management activities closer to business managers and process owners, so that it is again part of everyday operations and is integrated into business decision making. OpenPages is designed to be highly accessible and usable by this audience.

By using a single data model right across its platform, OpenPages is capable of analyzing risk across multiple areas of a complex business. This is essential for the large enterprises which are its target market, setting it apart from GRC point solutions and less scalable offerings at the lower end of the market.

A mature solution, the acquisition of OpenPages by IBM will give the former much greater access to market, and opportunities for integration with the relevant parts of IBM's extensive software portfolio.

SOLUTION ANALYSIS

FUNCTIONALITY

OpenPages 6.0 is delivered as a complete platform for GRC, using a J2EE-based three-tier distributed architecture and zero-footprint browser-based client. Built on this foundation are a number of modules that address the key areas of enterprise risk management:

- **Financial Controls Management (FCM)** – Addresses financial reporting compliance requirements including Sarbanes-Oxley and similar global regulations.

- **Operational Risk Management (ORM)** – Handles the management of all aspects of operational risk and internal controls.

- **IT Risk and Compliance** – Deals with IT and technology-related risk, security, and IT governance, integrating with other IT control-layer and management systems.

- **Internal Audit Management** – Provides comprehensive management of audit planning, fieldwork, and reporting.

- **Policy and Compliance Management (PCM)** – An updated and renamed module for version 6.0 of OpenPages, which handles the overall management of compliance, policies, and regulatory change within the organization.

Most importantly, OpenPages stores all risk data in a single database and adopts a common metadata model and framework across all of these modules. This enables clients to easily configure the solution to meet their own risk framework. It also supports risk reporting in multiple dimensions across the organization, which can be tailored to the requirements of diverse business units, risk management requirements, and user roles, including ad hoc exploration and query by business users. This architecture also provides the flexibility to react quickly to new compliance requirements: the recent Dodd-Frank legislation in the US and similar worldwide responses to the global financial crisis being examples.

OpenPages uses the IBM Cognos 8 Business Intelligence platform as the basis of its data analysis and visualization capabilities, and in this latest release, the inclusion of Cognos BI has enhanced the capability to create custom risk dashboards, including drilldown into the underlying data. Ovum believes that this ability to easily visualize risk information is an important aspect of adoption by business managers. OpenPages also continues to enhance its mobile integration features, making it easier to deliver information to remote workers.

The updated and renamed Policy and Compliance Management module in version 6.0 helps organizations to keep track of their entire compliance landscape, changes in regulation, internal policies, and interactions with regulatory bodies. The solution can communicate any changes to the relevant parts of the business, and monitor that appropriate responses have been allocated and subsequently completed. Furthermore, PCM is able to map policies to relevant regulations and identify potential gaps or conflicts.

OpenPages 6.0 is a highly scalable solution, with a proven ability to handle over 250,000 loss events per quarter, and capable of deployment to over 10,000 business users. The latest release has added support for the AIX operating system and the WebSphere application server, which will further enhance scalability. The software integrates with a wide range of external risk information sources such as the ORX global operational risk database and Fitch credit risk ratings, and for IT Governance, integrates with third-party frameworks including the Unified Compliance Framework (UCF) and Deloitte's Risk Catalog.

Figure 1:   IBM OpenPages 6.0 architecture

Source: IBM

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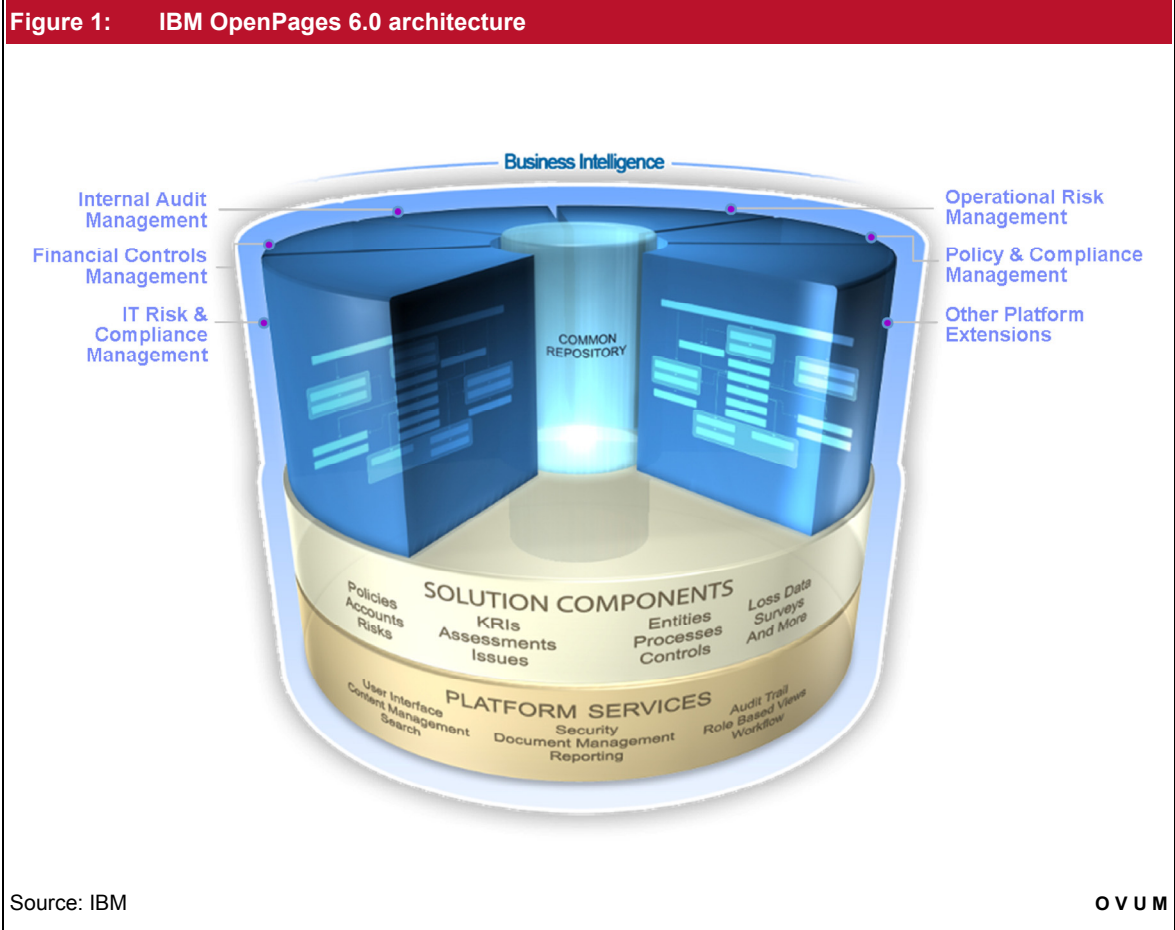
GO TO MARKET STRATEGY

With OpenPages, IBM targets global 2000 organizations in highly regulated industries such as financial services, energy and utilities, consumer goods, and pharmaceuticals. The company has over 250 active customers for the solution; the majority of business to date has been in North America and Europe using a direct sales model, with partners operating in Asia and South Africa.

OpenPages was acquired by IBM in September 2010 and now forms part of the Business Analytics division within IBM Software Group. The change of ownership will clearly open up a much wider market opportunity for the OpenPages product, particularly in growth markets in India, Latin America, China and other Asia-Pacific countries. From a product development perspective, IBM has not rushed into change: support for Cognos BI, AIX and WebSphere is a logical step, but there are important opportunities to integrate with other IBM solutions, including Tivoli service management, Guardium database compliance, and other IT controls-layer and security products. In particular, Ovum recommends that OpenPages should quickly integrate with the FileNet content management platform to improve the records management capability of the solution.

The major competitors to OpenPages have historically been specialist financial and operational risk solutions from the financial services sector. However, from an enterprise risk perspective the main alternative available to customers will be to use the ERM capabilities provided by their SAP or Oracle enterprise applications. As a dedicated ERM supplier, OpenPages can point to a wider range of capabilities and deep domain expertise; this must be balanced against the ability to use an existing application environment for risk management. For the most demanding requirements, Ovum believes that OpenPages offers a strong case for end-to-end risk management and compliance, with demonstrable cost-saving opportunities.

DEPLOYMENT

OpenPages is typically deployed using a phased approach, dealing with specific aspects of risk management and compliance in turn. An initial deployment phase for an enterprise-wide solution would typically take three to four months and mainly involves information gathering, process definition, and configuration. Customers are often looking to consolidate existing point solutions and manual processes onto the new integrated platform, so risk and compliance domain expertise and the project resources required to accomplish this must be included in deployment planning.

The vast majority of clients use an on-premise deployment, although there is also a dedicated hosting option available. The software is licensed on a perpetual basis per user, with tiered pricing for three different roles: administrative, business, and survey users. All required licenses for database, application server, reporting server, and workflow engine are included as part of the solution. Ovum believes that this type of software will be suitable for delivery via a software-as-a-service model in future, and would like to see this on the roadmap for future development.

Typical project values are around $500,000, with 60% of the cost accounting for software licenses, 20% for associated services, and 20% for maintenance. There are two levels of ongoing support and maintenance available: standard support from one regional support center at 21% of net license cost, and extended global support at 28% of net license cost.

- In the banking industry, Barclays has adopted the OpenPages platform on a global basis to handle its SOX compliance and operational risk management requirements. Having been deployed in 2008, the system is now used by over 7,000 members of Barclays staff, including operational risk staff and business managers. The company states that it has seen significant benefits from storing all aspects of its operational risk framework in a single database, particularly in applying a single risk control self-assessment (RCSA) process to both SOX and operational risk, and in feeding this data through to risk analysis in its capital model.

- In the travel industry, leading cruise operator Carnival Corporation has a decentralized internal audit function which is based in each of its business units. The corporation wanted to be able to draw together operational risk data from across the group, in addition to addressing its SOX compliance obligations. Carnival deployed OpenPages FCM in 2006 followed by ORM later the same year, and found it sufficiently flexible to adopt its own internal process-centric risk model. The company is now using OpenPages as the basis to develop a complete ERM system. The common database provides a centralized view of risk, but still allows individual business units and business users to tailor the information to their own risk reporting needs.

Table 1: Contact Details

Company headquarters

IBM Corporation

201 Jones Road

Waltham

MA 02451

USA

Tel: +1 781 647 3800

Fax: +1 781 647 4300

www.ibm.com

European headquarters

IBM Corporation

Atrium Court, The Ring

Bracknell, Berkshire

RG12 1BW

UK

Tel: +44 (0)1344 393010

Fax: +44 (0)1344 393101

Asia Pacific headquarters

IBM Corporation

Level 16

Shiroyama Trust Tower

4-3-1 Toranomon

Minato-Ku, Tokyo 105-6016

Tel: +03 5403 4740

Fax: +03 5403 4646

Source: Ovum

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