



# Accelerating transformation through regulatory change

**How regulation can drive  
connected and sustainable change**

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# Executive Summary

In this highly regulated and constantly changing environment, the leaders of tomorrow will be those that view disruption as an opportunity – those that see regulatory change as a catalyst for transformation, rather than an obstruction.

For some, the opportunity may present itself through the process of a reactive response to a specific regulatory change or challenge. For others, prudent 'horizon scanning' will uncover more proactive strategies to transform the enterprise ahead of expected regulatory change.

In addition to the significant advantages of avoiding regulatory challenges, fines and penalties, organisations are also finding that, by leveraging regulatory change as a catalyst, they can improve business flexibility, enhance decision-making, capture efficiencies, drive productivity and reduce risk. They are demonstrating that regulatory change can serve as a valuable accelerator to transformation.

At KPMG, we have seen first hand what it takes to truly leverage regulatory change as an accelerator and catalyst. In this report, we share some of our findings and insights. We look at how to best structure a transformation plan and strategy; we provide tips on how to create the optimal team for transformation; and we share insights on how leading companies are driving continuous transformation through regulatory change.

Here is a summary of what we know already.



## **Change is the new 'business as usual'**

Business leaders need to be comfortable transforming in an environment where change is constant.



## **Regulatory change is today's reality**

Regulation is driving a shift in corporate strategy and operating models.



## **Maintaining trust is vital to protecting value**

The ability and agility to demonstrate compliance, control and performance on demand is key to growing value.



## **Value is shifting from siloed functions to connected capabilities**

Integrating the right skills delivers more value than having a set of standalone functions in the organisation.



## **Finance is the catalyst of change**

In its role of being a custodian and a co-pilot, Finance is at the heart of organisational change and has become vital to drive transformation across the business.



## **Companies are using regulatory change to win**

We have worked with large global companies that already use regulatory change to accelerate transformation.

# Contents

4-6

Regulatory change is an unavoidable reality which enables accelerated transformation, leading to significant benefits

7

Case study: From compliance to transformation

8-9

Manage your response to change

10-11

Case study: An employer's story

12-13

Drive connected thinking through integration of capabilities

14

Embrace continuous transformation

15

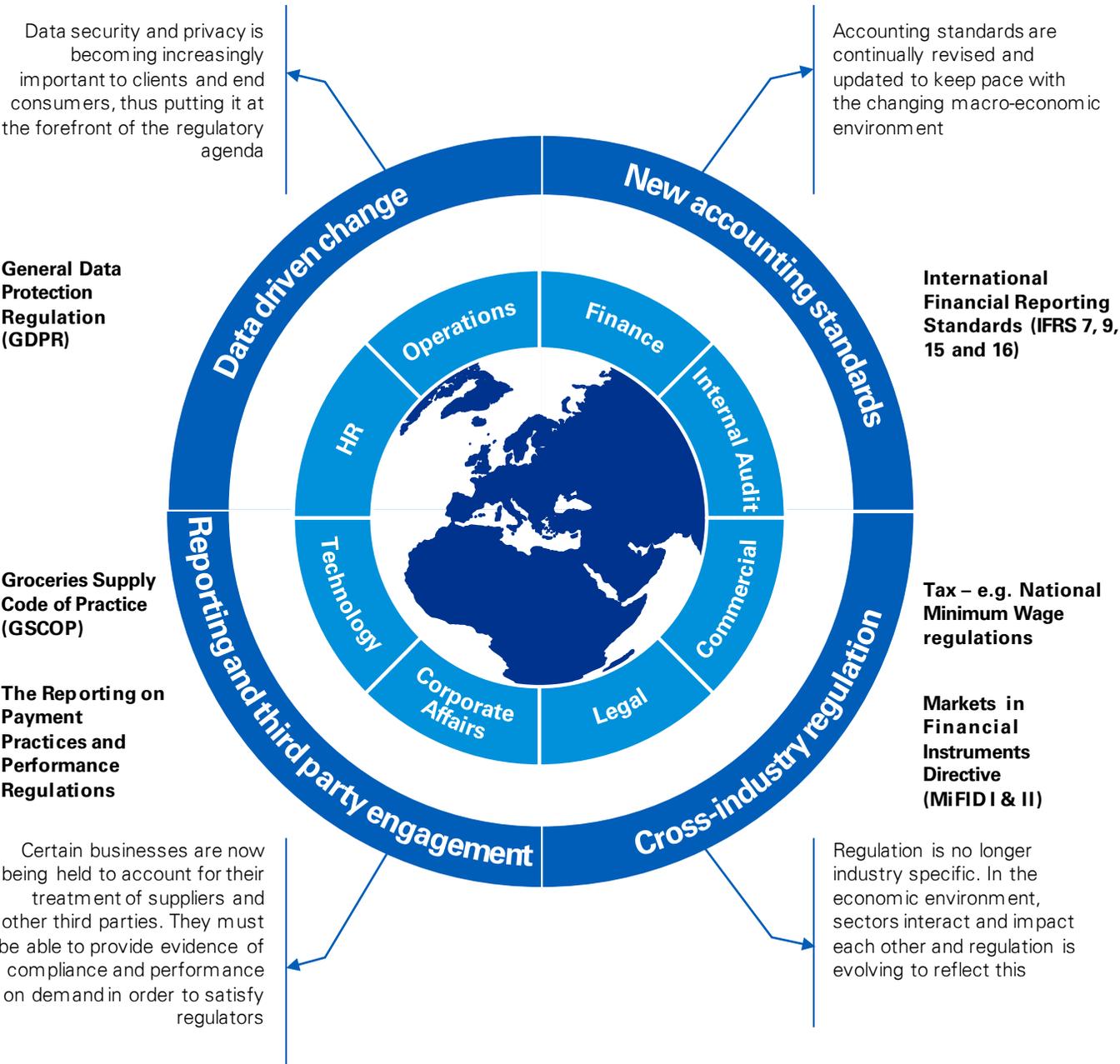
The paradigm shift



# Regulatory change is an unavoidable reality

The regulatory environment is continuously evolving. The volume and complexity of regulation is steadily increasing. Regulatory remits are expanding. Public scrutiny is rising and fines and penalties are becoming more severe. It's easy to see why many decision-makers view regulatory change as a burden – a necessary cost of doing business.

However, a number of today's leaders are starting to see regulatory change as more of an opportunity than a threat. They are beginning to take a 'big picture' approach to managing regulatory change and are thinking more holistically about the real impacts of upcoming regulation, the drivers of change and the cross-functional implications of transformation.



# ...which enables accelerated transformation

Regulation is rapidly becoming a new platform upon which companies are accelerating transformation through connected thinking, leading practice processes, optimal data management and insightful reporting across multifunctional capabilities.

For many organisations, the real 'light bulb' moment happens only once their current practices and/or processes have been called into question, or as a reactive response to a specific regulatory change. Others, however, have made it a habit to continuously and proactively monitor the external and internal environment to identify new opportunities to accelerate change.

## The reactive response is still the most common position



Remediation provides a solution that is developed and executed to mitigate the more immediate risks that organisations are exposed to. However, using this level of change as an entry point for transformation will require a longer term vision



In many cases the timescales are more rigid and very aggressive. Meeting deadlines will not only require commitment from the top of the organisation, but also a significant degree of control and clarity to execute the programme



Decision-making must be agile to accelerate the programme forward to robust completion. The need for facilitation is critical to maintain a governance model that drives performance and change



Cross-functional transformation should take place alongside remediation. Technology should be leveraged to achieve short-term change, but also to construct a more transformational view

## Scanning the horizon is more than a 'nice to have'



Businesses should adopt a proactive outlook and continuously monitor their policies, processes, ways of working and the external environment. This requires a data-led capability that can predict and enact change through existing channels



Prioritisation of areas being monitored should be aligned to the overall organisational strategy. CAPEX allocations may be impacted or influenced by this exercise



Finance will play a central role due to their unique ability to align shareholder value and regulatory requirements



Programme management moves away from intense facilitation to a more consultative approach where forward-looking capabilities become more relevant

## The role of Finance is integral to restore trust and protect value in a new regulatory environment



In the majority of businesses, Finance is the most connected function in the organisation and sustainability is largely reliant on their ability to provide insights and predict financial and operational impacts.

This ability to utilise data to move from cross-functional insights into actionable decision-making renders Finance essential for the protection of value.

# ...leading to significant benefits

By addressing known causes of failure, leading organisations are going beyond siloed and reactive change initiatives to seek out valuable enterprise-wide benefits. In many cases, these are leading to improved business agility, enhanced flexibility and greater scope for enterprise growth.

When using regulatory change to accelerate transformation, organisations are hoping to achieve:



## Updated organisational ecosystems

End-to-end value chains and supporting operations are integrated and aligned with business requirements, resulting in significant efficiencies and optimised service delivery models.



## Holistic ways of working

Collaboration across support functions is high, leading to streamlined processes, coordinated activity and effective communication across the enterprise.



## Integrated IT systems that are 'fit for purpose'

Leveraging automated, cloud-based technologies and processes, systems remain on the cutting-edge of the market, scaling to meet the needs of the business.



## Robust documentation and adherence

Policies and processes are well-documented and readily available to users, enabling high levels of control and visibility over process and policy changes.



## Data-driven insights and reporting

Reporting is highly automated, multi-dimensional and insightful. Reporting requirements are clear and aligned with an integrated planning process, thereby driving actionable decision-making.



## Relevant policies and processes

Policies and processes capture changes in the internal and external environment, allowing the organisation to exploit new opportunities for efficiency and technology enablement.



## High levels of trust in data

Data is high quality, accurate and easily accessible by the business. Data management frameworks are clear and followed. Management information is timely, relevant and actionable.



## A culture of sharing

Key business knowledge is widely shared, documented and retained. Active resource and succession planning ensures that critical business knowledge is not lost.



## Strong accountability and sponsorship

Leadership is highly visible and takes ownership of initiatives, leading to strong levels of oversight and congruence to the overall organisational strategy.



## A better view of the evolving landscape

Constant horizon scanning and open communication with relevant external parties allows the organisation to identify and prepare for change before it occurs.

# Case study: From compliance to transformation

Our UK headquartered client is a leading global retailer with a complex supply chain. The company works carefully with its suppliers to secure prices that enable it to operate efficiently and maintain its competitive position in the saturated retail environment.

Following an external audit from a key industry regulator, our client discovered non-compliance and inefficiencies in its commercial operations.

KPMG helped the company to globally deliver short-term fixes, but also to identify long-term automation solutions in its back office function.

### Benefits delivered

<p>Achieved the highest net improvement score for change in practice in 2016</p> <p><b>60</b> </p>	<p>Increased the number of written agreements with suppliers to</p> <p><b>80%</b> </p>	<p></p> <p><b>99.5%</b></p> <p>of suppliers now paid on time</p>	<p>Supplier invoice queries resolved in less than</p> <p><b>5</b>  days</p>
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### Ensuring sustainability – opportunities for automation

**Client objectives:**

- Ensure complete compliance with the industry regulations
- Achieve better data quality
- Reduce operational costs

**Approach:**



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    graph LR
      01((01)) --> 02((02))
      02 --> 03((03))
      03 --> 04((04))
      04 --> Robot[Robot]
  
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<p><b>01</b></p> <p>Assessed the opportunities for automation</p>	<p><b>02</b></p> <p>Developed our client's automation capability</p>	<p><b>03</b></p> <p>Supported the technical architecture build</p>	<p><b>04</b></p> <p>Deployed the bots</p>
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# Manage your response to change

Transformation at any level can easily become a highly complex exercise. It is essential to have clear, structured principles in order to minimise disruption and produce tangible results.

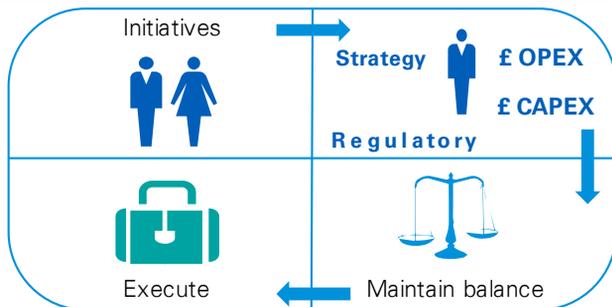
While no two transformation strategies will be identical, there are a number of components that can help organisations accelerate their transformation journey while simultaneously resolving highly sensitive issues.

## Understand the issue



- Agree scope, objectives, milestones and deliverables
- Engage and integrate leadership and impacted functions to accelerate successful delivery
- Ensure active health checks through active risk and programme management

## Manage your portfolio



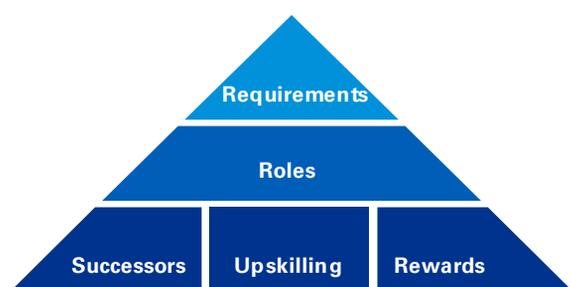
- Be aware of the wider impact of the project on other in-flight initiatives, the business and its stakeholders
- Maintain congruence with the overall organisational strategy

## Build a fluid governance model



- Define a governance model with clear escalation channels that connects the governance with deliverables
- Continuous review of governance model viability to maintain alignment to programme requirements
- Enforce accountability to ensure active participation

## Assess capability and capacity



- Understand capability requirements and match with available resources
- Define roles and responsibilities
- Succession planning to overcome resource changes
- Upskill key internal team members
- Proactively reward good performance



## Create a data-led mentality



Assess & safeguard

1-4 weeks



Test

1-2 weeks



Deploy

2-4 weeks

- Make decisions based on insightful outputs
- Ensure leading practice data, information management and reporting
- Maintain security safeguards to protect sensitive information

## Leverage the power of digital



**Data**



**Operations**



**Controls**

### Present

1. Legacy system
2. Manual
3. Errors

### Future

1. Cloud : Agile
2. Automate
3. ↓100% human error

- Minimise manual interventions to build sustainable solutions and reduce human error
- Maximise the functionality of tools and technologies to accelerate results

## Influence your GPO community



**Planning**



**Knowledge share**



**Quick response**



**Multiple time zones**

- Encourage collaborative participation between all project stakeholders that may operate from multiple global locations to highlight and manage cross-team interdependencies
- Manage time-zone restrictions and facilitate accelerated responses
- Ensure agile re-planning and re-prioritisation of activities in light of new information
- Perform continuous knowledge management

## Design your engagement model

### Internal



Direct



Indirect



Shareholders

### External



1-2 direct regulators



Unions

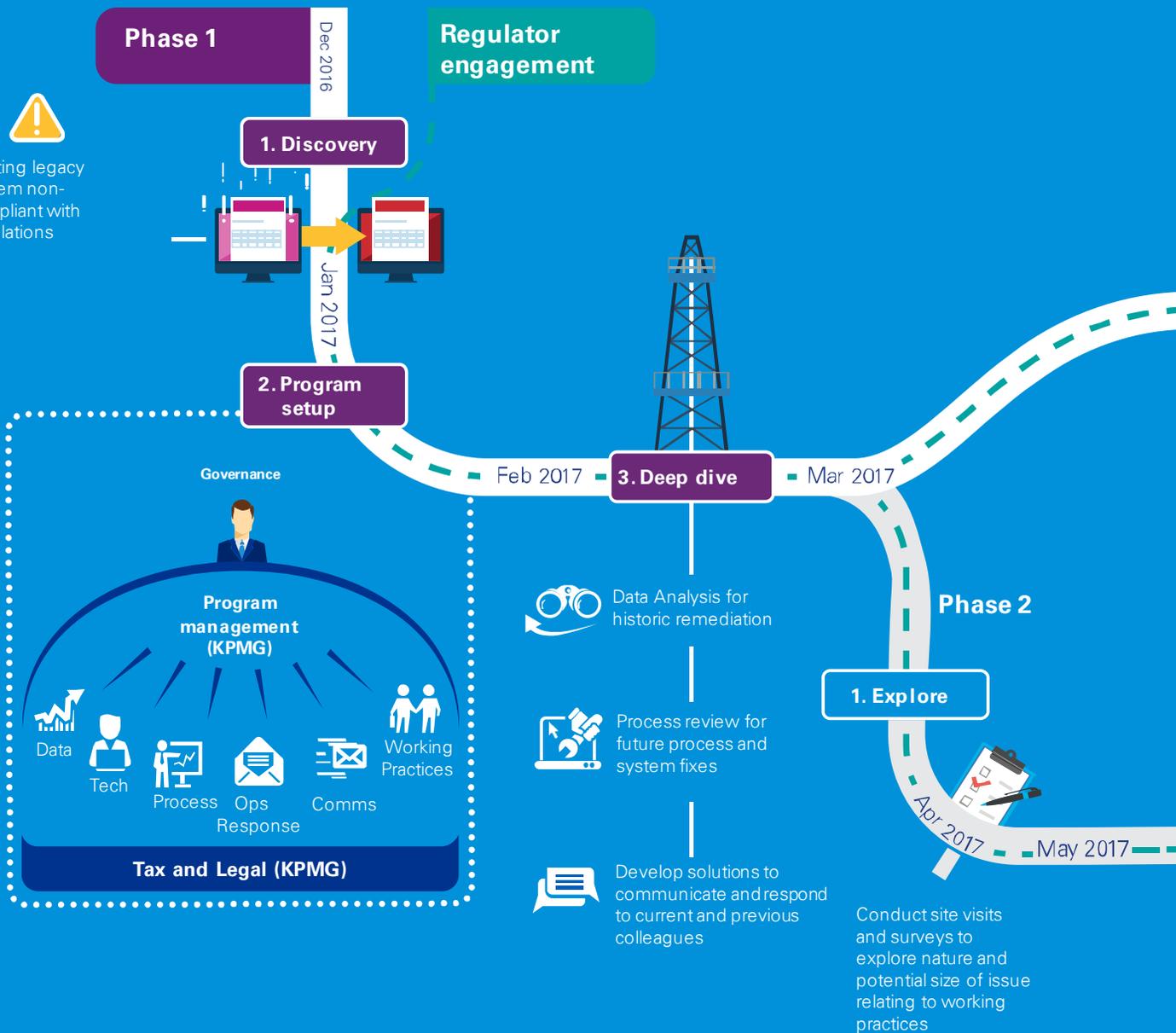


Media

- Identify all internal and external stakeholders who need to be proactively managed
- Develop and execute a focused communications and stakeholder management plan
- Secure buy-in by ensuring stakeholders understand the rationale for change

# Case study: An employer's story

KPMG recently worked with one of the UK's biggest corporate employers to effectively remediate regulatory non-compliance in its legacy system and working practices. Our client's journey to proactively remediate and eventually transform itself as an employer, is illustrated below.



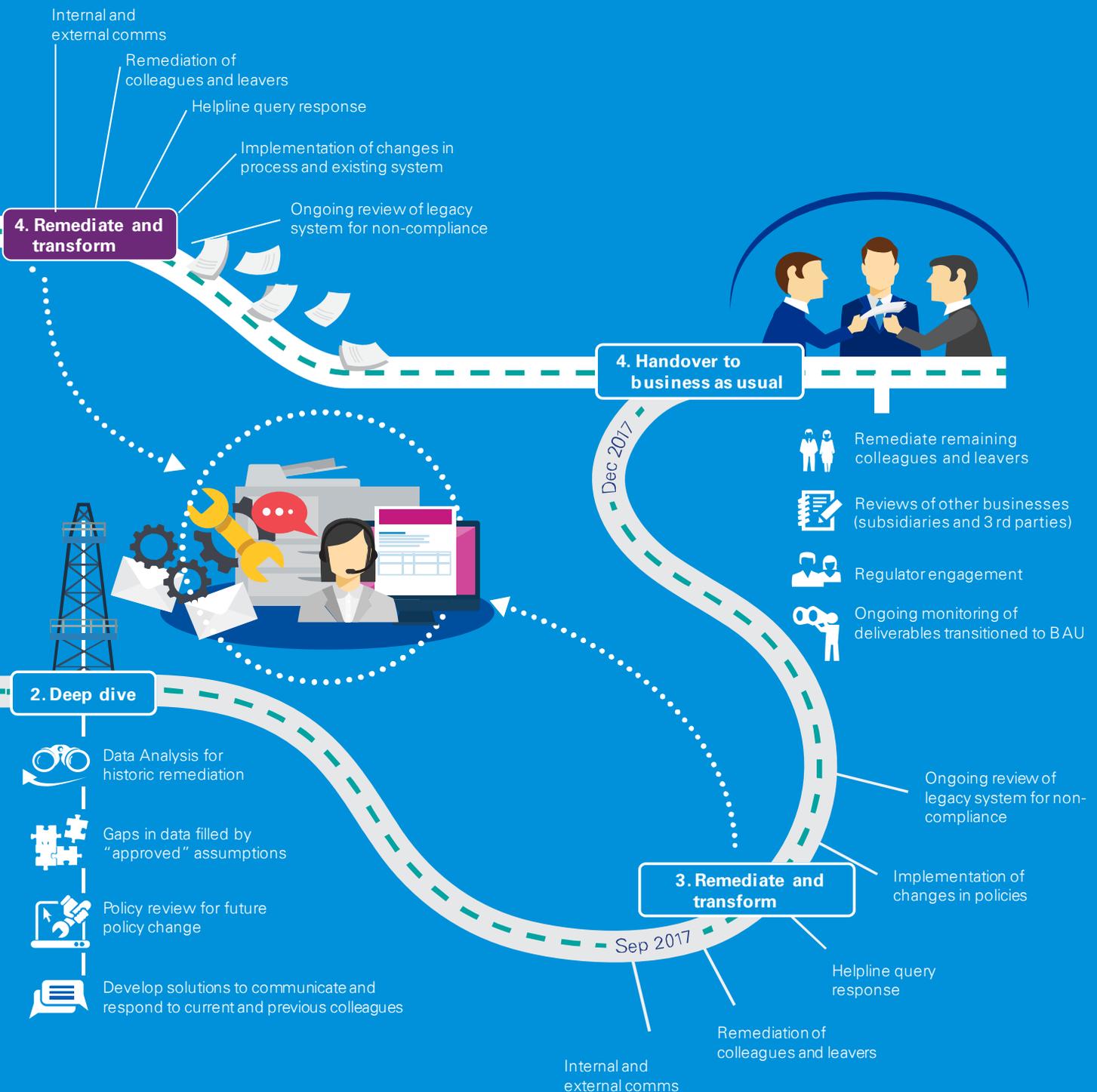
**Benefits delivered:**

Active engagement with regulatory bodies

Robust change management within the organisation

Clinical execution of remedial activities

Identification of future transformation opportunities



# Drive connected thinking through integration of capabilities

An accelerated transformation or remediation programme requires a team with a variety of skills, working together in a robust programme environment – a simple consolidation of resources will not suffice.

Rather than focusing on titles or traditional functional roles and expectations, emphasis should be placed on securing a team with the correct mix of capabilities and characteristics.



## Interpreter

- Perform comprehensive data analysis
- Manage data privacy and security
- Design and perform MI Reporting
- Prepare benefit case



## Custodian

- Manage legal requirements and non-compliance risk
- Perform legal review and advise on proposed communications and solutions



## Change strategist

- Develop communications and public relations strategy
- Prepare, review and execute stakeholder communication plans
- Execute operational change management



## Regulation expert

- Provide advice on non-compliance issues across multiple regulations
- Assist with formulation of solutions, operational responses and communications
- Technical sign-off on key deliverables
- Build strategy to sustain solutions beyond short-term changes
- Sustain network of regulation SMEs to discuss, predict and propose change



The value of integrating capabilities over functions is becoming a key feature in high performing organisations, where change is constant.

An optimal team requires the right balance of navigation, integration, planning and execution skills to deliver results.

### Business architect

- Proposes minimum viable product and long-term initiatives
- Redesign processes and controls for delivery
- Manage change requests and rollout
- Develop and execute testing strategy
- Propose tools and methods to sustain initiatives



### Technical and data scientist

- Assess viability of short-term and long-term initiatives
- Design and execution of data strategy
- Develop solutions and perform testing
- Stabilise technology-enabled solutions



### Operational accelerator

- Overall programme set-up
- Programme planning and integration
- Execute operational performance management and workshop facilitation



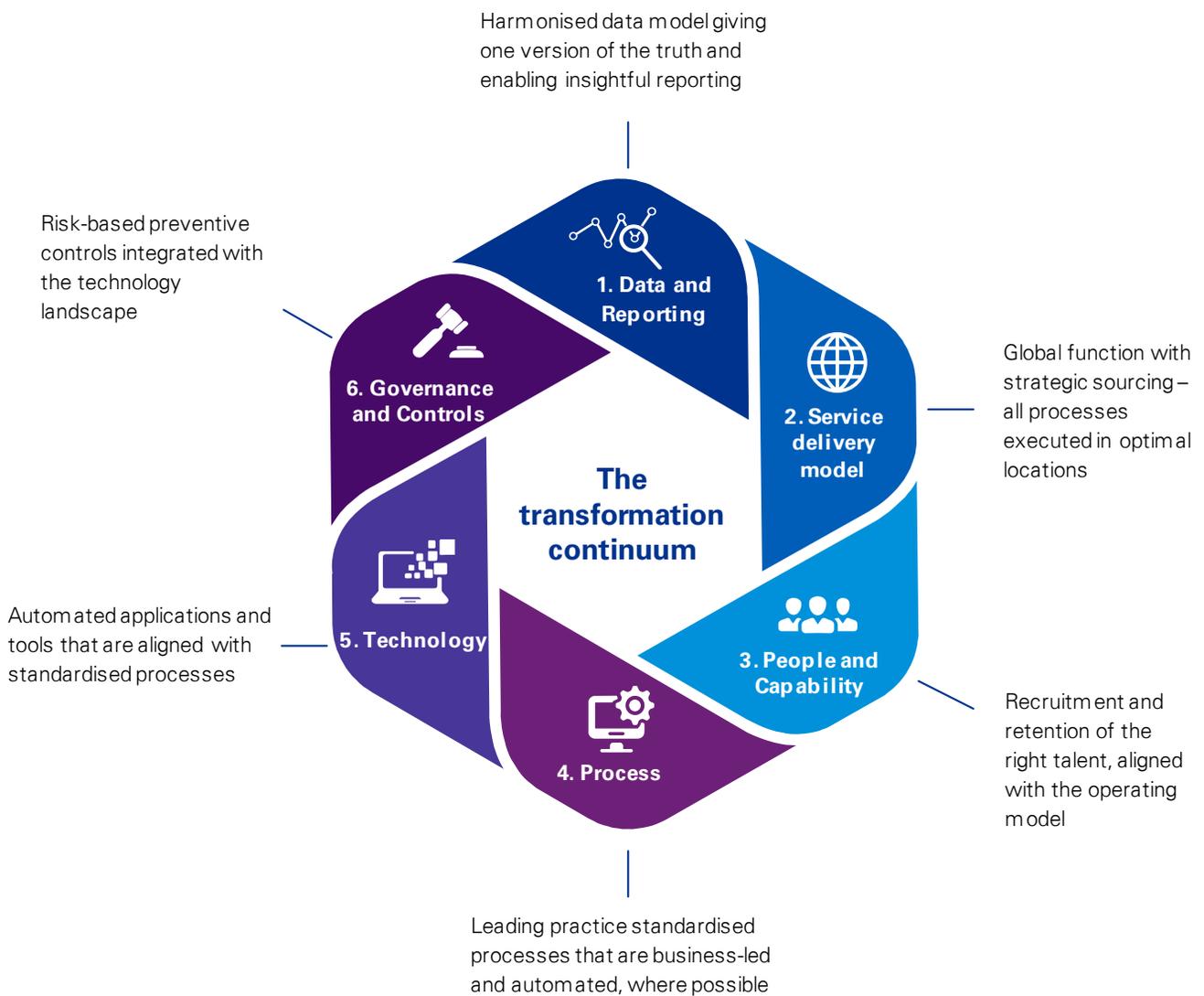
### Programme shaper

- Maintain end-to-end solution authority
- Provide strategic decisions, guide the team and help manage major risks
- Provide Executive (Board level) updates
- External stakeholder management, if required



# Embrace continuous transformation

Sustainable transformation is not a one-off activity. In a world where change is the new 'business as usual', organisations need an operating model that can enable and support future business requirements. This requires businesses to think of their transformation as more of a continuum than a journey.

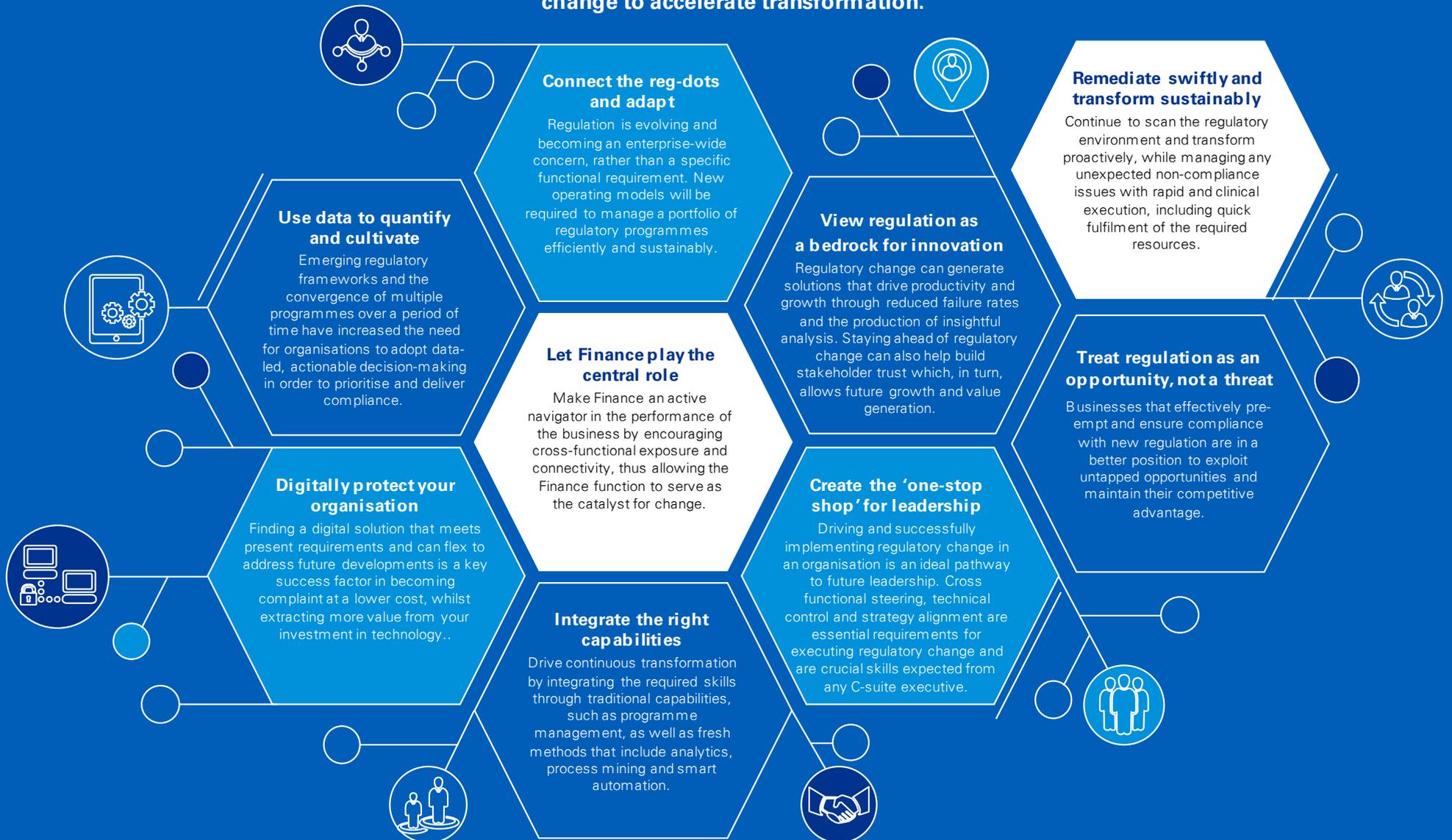


## Digitally accelerating transformation

In the modern evolving business environment, organisations must embrace digital technologies as part of any transformation. Emerging tools and automation allow businesses to process data faster and provide more impactful insights than ever before. Organisations must not only be equipped for the present, but should also be prepared for what is yet to come.

# The paradigm shift

Ready to shift your perspective? Take a look at these 9 key insights that can help you realise the value of leveraging regulatory change to accelerate transformation.



# Authors



**Svilena Tzekova**  
Partner

E: [svilena.tzekova@kpmg.co.uk](mailto:svilena.tzekova@kpmg.co.uk)

T: +44 (0)7714 844 254



**Jorge Castaño**  
Director

E: [j.castano@kpmg.co.uk](mailto:j.castano@kpmg.co.uk)

T: +44 (0)7917 838636



**Eleanor McCarthy-Fellows**  
Senior Consultant

E: [eleanor.mccarthy-fellows@kpmg.co.uk](mailto:eleanor.mccarthy-fellows@kpmg.co.uk)

T: +44 (0)7717 347277



**Ali Hassan**  
Manager

E: [ali.hassan@kpmg.co.uk](mailto:ali.hassan@kpmg.co.uk)

T: +44 (0)7468 759481

[kpmg.com/uk](https://kpmg.com/uk)



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## Key Contributors

### Javid Hamid

Partner

E: [javid.hamid@kpmg.co.uk](mailto:javid.hamid@kpmg.co.uk)

T: +44 (0)7770 988 262

### Adrian Griffiths

Partner

E: [adrian.griffiths@kpmg.co.uk](mailto:adrian.griffiths@kpmg.co.uk)

T: +44 (0)7717 272 072

### Gavin Donaldson

Partner

E: [gavin.donaldson@kpmg.co.uk](mailto:gavin.donaldson@kpmg.co.uk)

T: +44 (0)7917 591 587

### Nick Whitfield

Partner

E: [nick.whitfield@kpmg.co.uk](mailto:nick.whitfield@kpmg.co.uk)

T: +44 (0)7766 361 436

### Jo Page

Partner

E: [joanna.page@kpmg.co.uk](mailto:joanna.page@kpmg.co.uk)

T: +44 (0)7767 495 061

### Pavlo Smoliy

Senior Manager

E: [pavlo.smoliy@kpmg.co.uk](mailto:pavlo.smoliy@kpmg.co.uk)

T: +44 (0)7764 959864

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