Office of RCC

An effective Risk, Control and Compliance (RCC) function must keep pace with the hastening speed, volume and complexity of risk. Against a volatile geopolitical backdrop, organisations are navigating risks posed by ESG regulations, emerging technologies such as GenAI and shifting workplace dynamics.

As boards and management grapple with these topics, the need for internal audits to provide assurance and timely insights is more pressing than ever. Resilience and agility have become the key attributes for not only survival but also thriving in the current environment.

RCC plays a critical role in helping organisations strengthen and maintain these traits by providing objective advice, anticipating risk and helping management accelerate improvement in the governance, risks, controls and compliance landscape.

"Risk, Controls and Compliance is no longer just an enabling function—it is a strategic driver of growth and transformation. Organisations that embed risk, controls and compliance into their decision-making processes will not only mitigate threats but also unlock competitive advantage."

– Santosh Shetty,
Partner, Chief People and Experience Officer - Assurance, Deloitte India

"The time has come for organisations to shift from reactive risk sensing to a proactive approach. Those that anticipate and act on emerging risks will be the ones that lead with confidence in an unpredictable world."

– Nitin Naredi,
Partner, Audit & Assurance, Deloitte India

Key themes

More than 20 RCC leaders recognised the importance of integrating RCC into the organisation's overarching strategy across various themes. This approach emphasizes the necessity for RCC functions to transition from a reactive stance to a proactive one. Key elements of this evolution include enhancing skills, using technology and embracing modern risk management practices. By shifting the perception of RCC from a cost centre to a strategic contributor, organisations can better harness its potential for driving value and resilience.

About 38 percent of respondents stated that stakeholder perspectives play a key role in risk evaluation, while 38 percent believed that purpose and vision are central to risk assessment processes. About 10 percent of respondents said that risk is based on financial impact, which actually cements the fact that risk is integral to the organisation's vision and purpose.

Key outcomes and insights

Each of these themes was discussed in groups using Deloitte's Value Realisation framework to effectively guide the conversation. This value framework helps to dissect and evaluate our themes from all perspectives, starting with the identification of growth drivers, then focusing on the end objectives and finally articulating the benefits that will arise from these efforts. Additionally, it highlights the necessary changes within the functions and the enablers that will support this growth. All themes were evaluated and discussed with the Value Realisation framework in mind.

Clean can deliver green

The growth drivers for sustainability are as follows:

- Consumer preference and consumer behaviour
  Consumer preference for sustainability is driving growth and wider acceptance of sustainable products. The RCC function must foster a culture of change, supported by a monitoring committee and technologies such as CRM to generate valuable consumer insights.

- Regulatory compliance
  The key growth driver is regulatory compliance, essential for gaining stakeholders' trust and the right to operate. RCC needs to implement a guiding framework with core principles, an effective monitoring system and the right skills and GRC tools in place.

- Scalability
  The third growth driver for a cleaner, greener system is scalability, which focuses on entering new markets and achieving global growth. This approach creates value for shareholders and attracts global investors. RCC should promote geopolitical understanding and global reporting standards, supported by the right skillset and AI-enabled risk sensing technology.

According to a survey, 65 percent of participants believe that ESG practices will contribute to an organisation's financial performance by increasing investor appeal. About 5 percent of respondents said they believe ESG practices will contribute to cost savings, while 20 percent attributed to contributing to risk management and around 10 percent to customer loyalty.

The RCC function can play a key role in establishing the emphasis of ESG practices and incorporating them into the overall risk control framework and matrix so that this forms part of an organisation's strategy roadmap.

Debt to differentiation

About 71 percent of professionals believed that IT and IS require the most focus with modernised controls, whereas 14 percent said finance and 14 percent identified procurement.

- **Professional skilling**
  The first growth driver discussed here was upskilling, cross-skilling and multi-skilling, with the objective of having a future-ready organisation. The benefit is to have a long-term relevance in the market along with proactive readiness. Having the right people sitting at the right table is imperative, and training and L&D are the need of the hour.

- **Change management and continuous monitoring**
  The end objective of any organisation is to eliminate leakages and make sure irrelevant spending is curtailed while ensuring a no-surprises approach and a check on debt. The business change required is a health check and annual review, with the help of data and analytics and AI.

RCC champions can use analytics and automation to adapt control modernisation in an organisation's ecosystem.

The customer is queen

- **Customer centricity embedded with customer risk sensing**
  The end objective is customer experience and customer attention, which generates higher sales and higher margins. From a business change perspective, there is a need to bring about a change in audit scope, including customer lifecycle journey and experience. It is also important to assess the impact on the customer. The enabler is a reporting matrix to include customer impact and the enabling technology is to have an analytics tool.

- **Brand perception**
  With the boom in social media, brand image and customer-related compliance are imperative. Advocacy needs to be garnered and the largest ROI for organisations will come from trust. RCC can contribute to brand building by being part of the toll gate or a strategic initiative, with frequent engagement with stakeholders as the enabler.

- **Marketing ROI**
  The end objective of marketing ROI is to monitor spending effectiveness. The benefit is to have better margins and better reach. The business change is concurrent reviews, and the enablers will be automated tools and the calculation of media spending.

Devil's in the deal detail

About 42 percent of professionals felt that the biggest barrier to improving resilience in an organisation is an insufficient understanding of risk, while 37 percent believed it is resistance to change.

- Risk optimisation
  The objective of risk optimisation is to increase shareholder value and market share while attaining profitability and growth. From an RCC perspective, integration is critical, with the consolidation of various processes. The enabler is an ERM framework integrated with technology tools such as risk registers, automation of controls and risk monitoring.

- Compliance
  The second growth driver is compliance, with the objective being trust, brand value and business growth and expansion. The RCC function needs to change the perception of the institution of the compliance office, with key enablers such as continuous monitoring and compliance framework with a workflow engine and control automation.

It was interesting to note that 33 percent of our participants said their organisation is extremely resilient in the face of disruptions, while another 33 percent said it is resilient, and the last 33 percent said it is somewhat resilient. This shows that there is immense scope for the RCC function to strengthen the organisation's resilience and thereby contribute to growth.

A successful M&A is attributed primarily to thorough due diligence and financial analysis, which 39 percent of our participants corroborated. Cultural compatibility between the two organisations came a close second at 33 percent, while 22 percent said a strong commitment to the integration process was critical. Around 6 percent said clear communication between stakeholders was of supreme importance.

Integrating cultures is always at the core of any M&A and this was further cemented by 75 percent of our participants aligning with this thought, while 20 percent said it was to align strategic goals.

Another aspect to consider is while planning for an IPO only 5 percent of the participants said regulatory compliance is the biggest concern, while a large 45 percent said it is investor perception and demand and another 40 percent laid heavy emphasis on valuation and pricing of shares. This goes on to show there is a huge gap in risk and compliance and the RCC function can change this narrative by bringing focus to the compliance aspect in M&A transactions.

Data dune to data tune

About 58 percent of professionals said that data analytics as a technical skill is the most in-demand skill required during recruitment, while 26 percent opted for project management. This essentially implies how important data, the insights from this data and the management of this data are for any organisation to move towards better and more informed decision-making.

Gaining a competitive edge

Achieving a competitive edge is important, with an objective to monetise wealth creation for investors, thereby yielding profitability and customer trust. The RCC function needs to bring about a business change by continuously identifying risks and having a mitigation plan in place. A key enabler will be educating the process owners about existing risks.

Data security and data governance

The second growth driver is data security and governance, which aim to create a better brand and increase customer satisfaction. The organisation has a lot of data, and it is critical to assess how much of this is being used for informed decision-making. Using data analytics is important to assess and tune data from time to time, leading to infrastructure continuity and data governance.

Data analytics can help mitigate risks, including financial, operational, compliance and cyber. The most common challenge while adopting data analytics for risk control and compliance was attributed to data silos and data quality issues by 65 percent of the respondents. Around 20 percent said cultural resistance came in the way of adopting data analytics while another 15 percent said it was legacy systems.

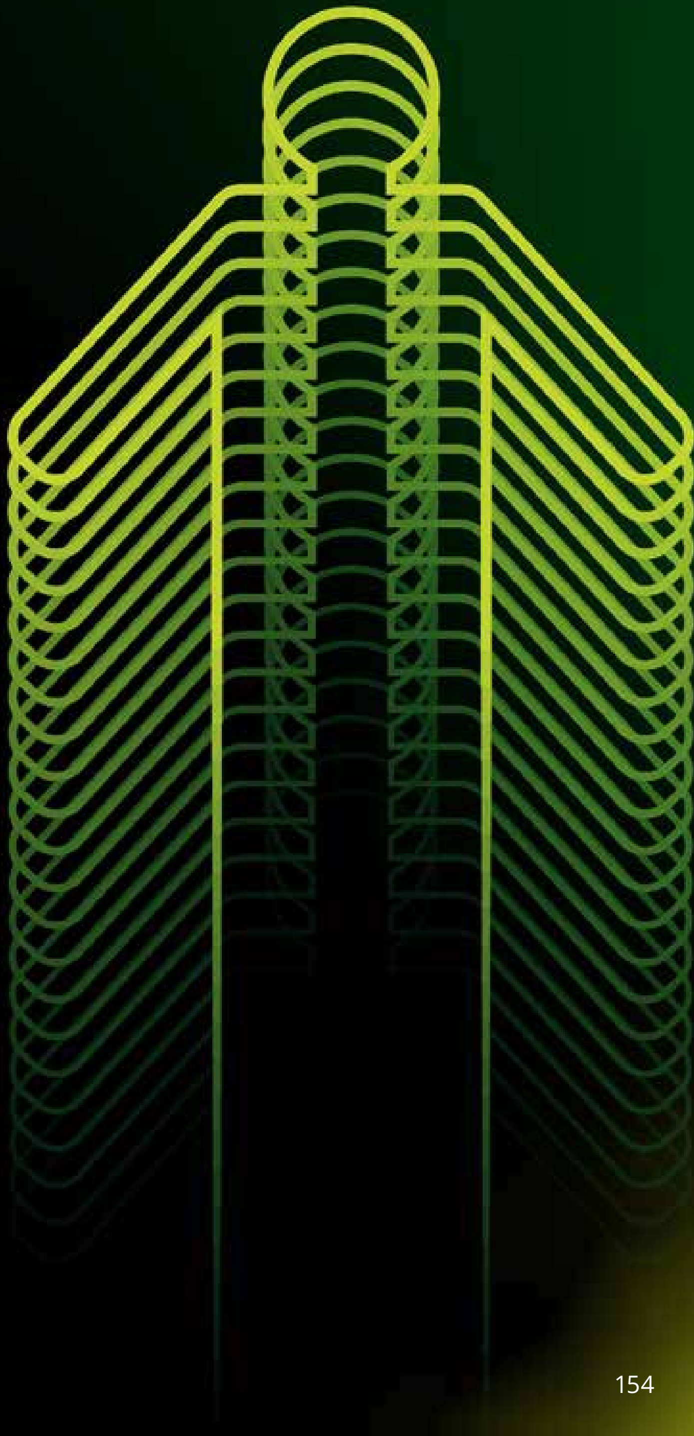
Our people are our asset

About 40 percent of professionals believe that an enticing work culture is key to attracting top talent, whereas 30 percent said high compensation and perks. Only 5 percent believed that brand image plays a role in attracting talent.

- Capacity
  The first growth driver is capacity, with the objective to improve product quality and efficiency, reduce cost reduction and finally nudge the business towards automation and removal of redundancies and duplication.

- Capability
  Organisations need to assess how much they should invest in capability building, training and upskilling to help build a workforce of the future.

- Culture
  As we have seen several times, culture plays the primary role in empowering an organisation's people. A poor work culture increases the risk of attrition and impacts the brand value and reputation of the organisation.



Enterprise trust and its contribution to the Risk and Compliance function

Trust and compliance are interconnected. Compliance is the foundation for building and maintaining trust with an organisation's stakeholders. It also helps organisations act responsibly and obey regulations related to labour, work safety, finance and operations. These factors, combined with the recent surge in regulatory enforcement, have elevated compliance risk to a top priority on leadership's agenda.

Deloitte's Compliance Trust framework covers how an organisation integrates compliance into its strategic priorities, builds systems and processes to monitor compliance, processes real-time breach remediation and effectively communicates compliance training and communication. This is critical as proactive compliance management actions build higher trust with stakeholders such as regulators, customers, vendors and the workforce.

Per Deloitte research, highly trusted companies exhibit strong business outcomes including up to 4x1 market capitalisation vis-à-vis competition, higher workforce productivity, higher customer loyalty and stronger brand protection. On the other hand, non-compliance erodes stakeholder trust, leading to reputational damage, financial losses, operational inefficiencies and weakened customer loyalty. Per another Deloitte survey, although 94 percent of board members agreed that building trust is important for organisational success, only 19 percent have a leader in place to manage trust efforts and only 14 percent have a way to track stakeholder trust. This highlights the urgent need for proactive trust management strategies for compliance.

Organisations are known to take action only once a trust breach occurs. Very few organisations have actually implemented initiatives to monitor and increase trust equity, with most relying on investigation and communication with stakeholders only after a breach of trust.

We asked respondents how they measure stakeholder trust in their organisation. While 70 percent said it was through surveys and feedback, a small 5 percent said it was through financial analysis and employee retention. Around 20 percent also said it was through anecdotal evidence.

This goes on to prove that while trustworthy companies are known to outperform their peers, organisational leadership is not placing enough emphasis or giving enough thought to actively tracking enterprise trust.

Disruptive technologies and the role of risk

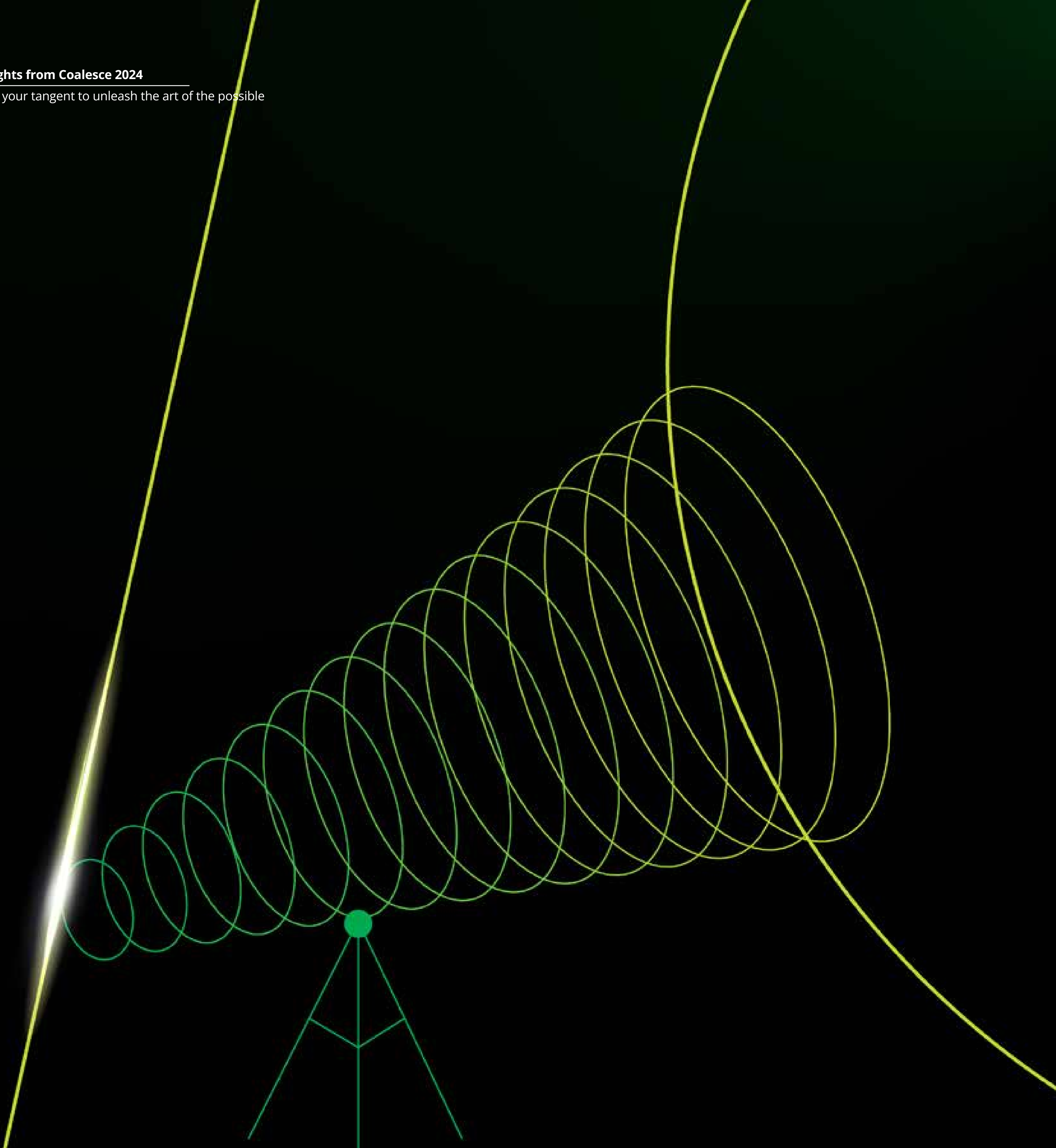
Organisations use various methods to identify potential disruptive innovations within their industry. About 65 percent of respondents indicated they rely on market trend analysis to spot these innovations. Another 15 percent follow competitor activities to stay informed about new developments, while a smaller group (10 percent) utilises their networks of industry experts for insights on potential disruptions.

Organisations also adapt to these disruptive technologies differently. Around 60 percent said they make incremental changes to existing processes, 20 percent said they invest in new technologies, and 15 percent said they take a wait-and-see how competitors respond.

Risk is a crucial factor to consider when introducing any new technology. A significant 50 percent of our participants indicated that their organisations conduct thorough risk assessments when investing in new technologies. However, it is concerning that 30 percent of respondents reported embracing a “fail fast” mentality, and around 15 percent admitted they primarily rely on past experiences. This approach is not a reliable method for ensuring adequate risk coverage for the new technologies central to the organisation.

Another area where the RCC has the potential to significantly impact is updating compliance protocols in response to new technologies. Most respondents (70 percent) stated that they only update these protocols as necessary, while 25 percent mentioned having an annual plan to address compliance updates. Establishing a proper framework and regular process for assessing compliance updates could help prevent future compliance challenges.

About 80 percent of participants said that automation tools were used to address compliance challenges in the organisation, while only 5 percent said they used AI and another 5 percent said they used data analytics.

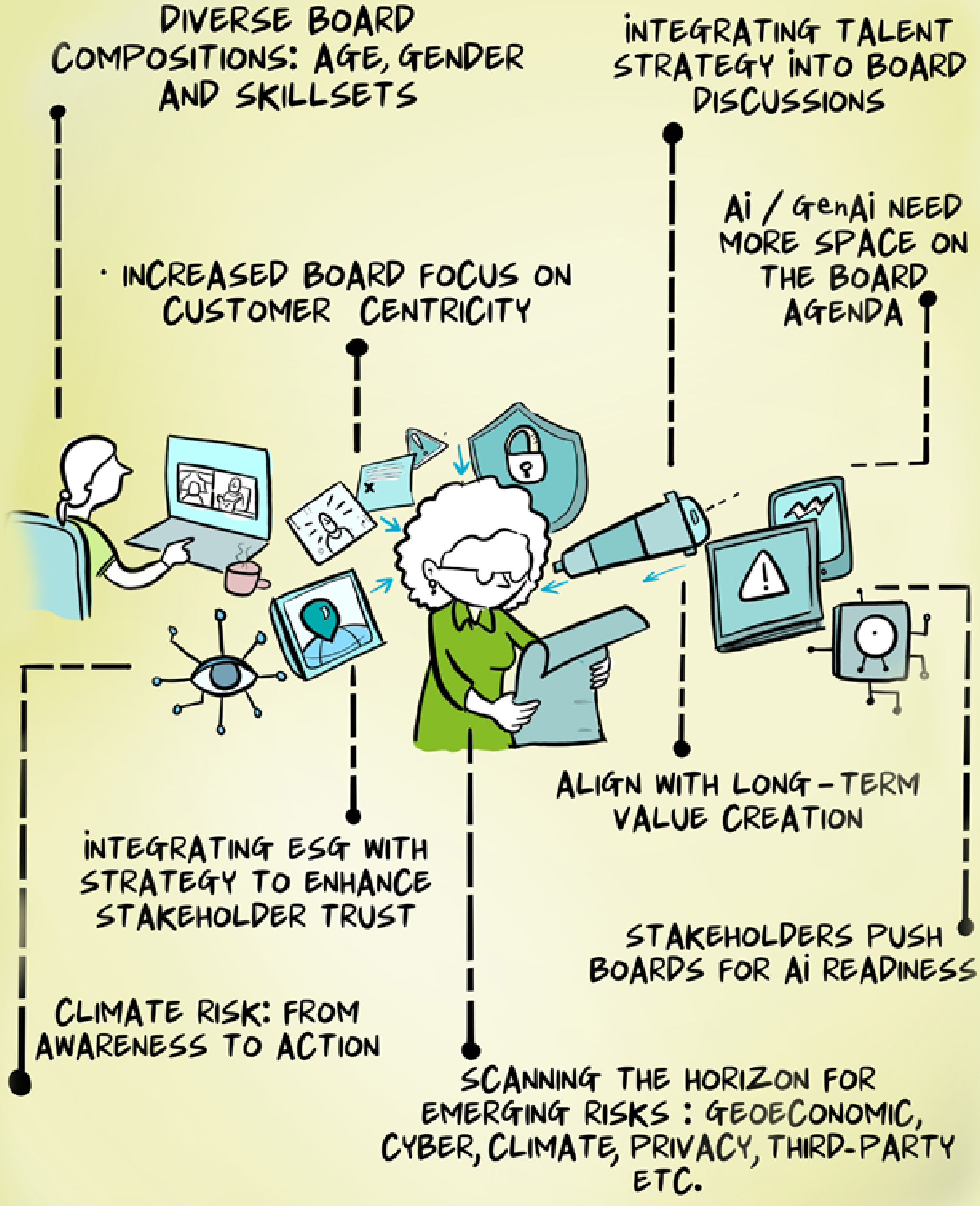


The way forward

- Explore the RCC function’s role in building the right capabilities, culture and processes to support the organisation’s people agenda.
- Discuss the best techniques RCC champions can use to adapt and control modernisation in an organisation’s ecosystem.
- Identify ways the RCC function, including risk sensing and marketing ROI, can contribute to building a customer-centric approach.
- Examine the RCC function’s role in M&A integration, including risk sensing, compliance and culture/reputation protection.
- Determine how the RCC function can enable an organisation’s data governance, data analysis and trust/transparency initiatives.
- Explore the methods used by an organisation for transparent communication and how stakeholder trust is measured.

The RCC function’s role has evolved from being just an enabling function to being a key contributor to an organisation’s growth and transformation, which ultimately influences organisational outcomes.

BOARDS


DIVERSE BOARD COMPOSITIONS: AGE, GENDER AND SKILLSETS
INTEGRATING TALENT STRATEGY INTO BOARD DISCUSSIONS
AI / GENAI NEED MORE SPACE ON THE BOARD AGENDA
· INCREASED BOARD FOCUS ON CUSTOMER CENTRICITY
ALIGN WITH LONG-TERM VALUE CREATION
INTEGRATING ESG WITH STRATEGY TO ENHANCE STAKEHOLDER TRUST
STAKEHOLDERS PUSH BOARDS FOR AI READINESS
CLIMATE RISK: FROM AWARENESS TO ACTION
SCANNING THE HORIZON FOR EMERGING RISKS : GEOECONOMIC, CYBER, CLIMATE, PRIVACY, THIRD-PARTY ETC.