

Best Achievement in Operational Excellence to deliver an outstanding Value Creation or Innovation Execution project

Risk, Compliance and Controls - A Case for Change

Synopsis:

The world is buzzing with new technologies. Organizations are adapting their strategies and business models as new players capture parts of traditional value chains. Much focus has been put on the growth benefits of technological innovation, but traditional Risk, Compliance and Controls functions continue to struggle to keep-up with the complexities and new ways of working. How can we accelerate Risk, Compliance and Controls workflows into the cognitive era? What is preventing us to get there? Is complexity and manual labour, the inherited nature of the work? Is it the leadership structure with low-risk appetite due to the regulatory requirements? To answer these questions and come out with a case for change, we assembled a small team with experts on compliance and controls with a common goal to transform the organization operating model to gather strategic advantages using latest digital technologies, making internal controls even more effective, efficient, and proactive.

We utilized industry benchmarks, Lean Six Sigma continuous improvement methodology, Design Thinking, DevOps, and agile concepts and tools to guide us through the project. We identified 54 opportunities and applied the Pareto principle to select the ones with the greatest impact. By the end of the project, we were able to change how Compliance and Controls work is being conducted in the organization, delivering 30% productivity improvement, 44% defect reduction, 20% increase in resource utilization, better employee experience, and most importantly – creating a nimble Compliance and Controls governance system with enhanced visibility of the key areas in the process.

The strategic objectives and scope of the Operational Excellence Project.

IBM is on a journey towards an insight-driven intelligent enterprise, focusing on redesigned operating model, building better advocacy with clients/users, and driving new ways of working while embracing speed and agility in everything we do. Aligned with this strategy, our goal is to transform the Compliance and Controls operating model to gather strategic advantages using latest digital technologies, making internal controls even more effective, efficient, and proactive.

To uncover opportunities and set the proper strategies to achieve that goal we started by selecting the Quote to Cash segment of the organization. To test new model's execution to prove the concept we composed a team of three geographies leaders and 67 employees located around the globe responsible to perform over 16,000 transactional sample testings annually for all IBM lines of business.

The Operational Excellence Project implementation process and timeline

Before initiating this project, we carefully considered the external benchmarks and realities of how similar companies and functions are transforming their compliance workflow. Based on the outcomes of the Design Thinking Workshop, we created a case for change. During the Workshop, we determined the

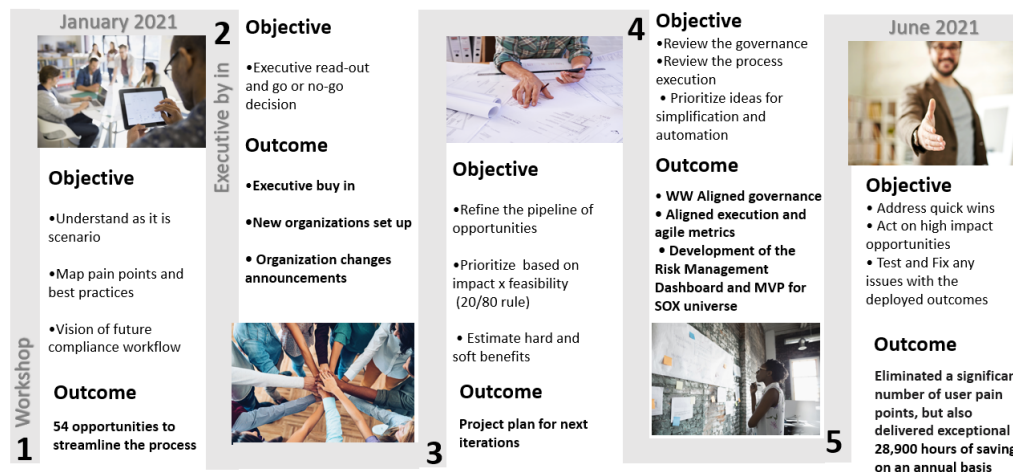
priorities based on the 80/20 rule. Knowing that 51% of the improvement opportunities were related to process, 21% to governance, and 20% to automation we defined the following priorities:

- Streamline and optimize the processes
- Rationalize governance
- Improve the Management System
- Introduce new tools and automations, allowing people to focus on high value activities

Showing good upfront thinking, structured planning, and, with a clear vision of the outcomes, we were able to get the executive buy-in in the project.

Project timeline: The project was formally kicked-off in the January of this year, following the Design Thinking Workshop outcomes. It took less than 6 months to see the project impact on the organization and start realizing its benefits.

Compliance and Controls - A Case for Change timeline



The size of the project challenge, use of creative tools, and any organizational development

Actions to transform and improve Compliance and Controls area while reducing costs requires cutting “hazardous” complexity, given the demands of risk management and regulatory expectations. Also, driven by their country and regional specifics, the processes were siloed in their geographies, and in different organizations spread across the world, making things even more difficult.

We needed to carefully plan, negotiate and document any change with the related functions and regulatory authorities. Another challenging area in any compliance project is the estimated costs and the return of investment. Most of the costs of compliance are hidden and hard to be measured. This is especially true if you consider that Risk Compliance and Controls is embedded in all areas of business, so, even though anything you do in terms of compliance would impact the productivity and effectiveness of every area, those costs and benefits are hard to measure.

This transformation showed us that to transform the Risk Compliance and Controls workflow, we needed to attack four mutually reinforcing areas: **organizational structure (people), governance,**

processes, and automation. We realized that while enhancements isolated in each area could boost both effectiveness and efficiency, the true potential comes from tackling them in sequential order as a global initiative.

- By optimizing the organization (people) across global Risk Compliance and Controls process, we yielded effectiveness gained by creating a pool of compliance professionals with well-defined responsibilities and scope. These responsibilities are better aligned with Risk Compliance and Controls process, allowing teams to focus on compliance core activity, increasing accountability, and matching their talent to jobs.
- By rationalizing governance, we focused our attention on what matters most and removed pain points from the business. We introduced a centralized global workflow tool to manage a funnel of work, measured by the agile metrics that helps us in identifying gaps in the workflow.
- By streamlining and aligning processes globally, we took dramatic steps on the efficiency–effectiveness curve while creating better employee and customer experiences. We streamlined processes making it easier to take advantage of digital technology, allowing it to target specific points and/or full end-to-end process areas.
- By using Robotic Process Automation, we were able to reduce a significant number of manual tasks performed by the SOX Testing professionals and improve the overall experience. The focus was on creating a strategic gateway that links several sources and repositories, while automating the feed to the gateway.
- By leveraging the latest technology, a new Risk Management dashboard was designed and deployed using Python and NodeJS, hosted on IBM Cloud, delivering:
 - Proactive identification of risks in the processes.
 - Easy and timely trend's view, enabling pre-emptive work to avoid further issue escalation.
 - Quick visualization of massive amounts of data regarding Control Points, tests, and audits.
 - Better accuracy and effectiveness in Risk Compliance & Controls actions, including better tracking of aftereffects.
 - Overall Improvements on Defect Numbers (Process Deviations).

The impact of the Operational Excellence Project


The transformation across four areas identified above changed how Risk, Compliance & Controls work is being conducted in the organization. Roughly 28,900 hours of mundane manual activity were eliminated allowing compliance professionals focus on managing risks. By the same token, the organization became nimbler to the way risks are identified and managed globally.

The results of this project are not simply represented in hard benefits for our business, but they also come with a handful of personal improvements to the employees involved. New career opportunities and synergy between the teams inside the new organization, are bringing not only a renewed spirit to the teams, but providing a long-term effect on employee engagement, while also exponentializing the capacity of the team to drive innovation.

The following chart, and personas, demonstrate the initial state of work and the vision for the Risk, Compliance & Controls transformation before the project was started. This was the North Star of the project from the beginning, and continue to be our focus, while replicating our success in other areas in the company.

“There must be a better way of doing it”.

TODAY



“I start my day by **checking my manual control** to verify what are the open control points to be tested. Then, I **manually run and customize** the universe to check if new samples are available. Once I confirm that samples are available, I apply random sample selection and I **verify if the samples are valid for testing**. Then I **search for the supporting documentation** in **several sources** and quite often I need to talk with the execution team because I'm **not able to find the complete documentation**. To perform the test, I follow my testing checklist. If a defect is identified, I check my manual controls to know if that it is a recurring defect. To **confirm agreement** from the execution team on the defect and action plans, **several meetings are necessary**.”

Derek
Role : Q2C Hardware Tester

“It makes my day when I see how much value we aggregate “

VISION



“I start my day **checking the available samples** to be tested in our team funnel of work. I pull one sample for me. Then I go to **the common repository to find the required supporting documentation**. To perform the testing, I follow the **global online checklist that gives me visibility** about each attribute to be tested **aligned by risk area**. As the **execution team build** the root cause we provide advise as necessary using **historical defect trend from the Global Defect Dashboard**.”

Suzanna
Role : Q2C E2E Tester

The business results of Operational Excellence Project

Key outcomes of the project:

1. Better accuracy and effectiveness in Risk, Compliance & Controls actions, including better tracking of aftereffects. Year to year, from July 2020 to June 2021 we achieved 44% decrease in the number of Process Deviations (Defect Numbers)
2. Streamlined testing execution for 1,700 controls points globally, resulting in 18% reduction on the testing transactions.
3. Implemented a globally aligned management system using agile principles and methodologies. The aligned governance delivered 20% increase in the resource utilization.
4. Implemented agile metrics allowing us to focus on continuous improvement, driving 30% productivity gain with the decrease in the testing cycle time.

All these actions together, generated over 28,900 manhours of saving.

This project was not only capable of deploying fast benefits but setting the cornerstone where the new Risk, Compliance & Controls organization will grow and thrive in the company.