

# Compliance: The Digital Imperative

From the demands of Know Your Customer (KYC) to the requirements of the General Data Protection Regulation (GDPR), compliance is top of mind for every industry executive. Leaders are seeking greater transparency, execution control, and accountability. As a result, there is an increasing focus on digital technologies that can simultaneously improve compliance capabilities and support business innovation, cost-effectively.

## COMPLIANCE CHALLENGES

Geopolitical forces directly impact industry regulation. Regulatory authorities who are trying to navigate the changing landscape can have differing jurisdictional responsibilities and administrative focus areas. This results in multiple mandates and evolving requirements. Compliance has become a complex and costly undertaking.

While the reputational and monetary impact of non-compliance cannot be ignored, neither can the painful rising costs of compliance implementations.

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If you think compliance is already too costly, brace  
yourself. It's going to get worse... much worse.  
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For example, over 80 countries now enforce some version of KYC regulations. The sweep and breadth of regulations affect every department across organizations. Compliance activities—once directed by in-house counsel or risk management functions—now demand the full attention of executives and staff. No longer is compliance simply a project: successful management depends upon the organization's full embrace of compliance as a discipline.

Greater transparency, execution control, and accountability top both regulator and customer demands.

Thankfully, a new management paradigm exists.

Digital technology can untether and manage data and process in new and previously unimagined ways to enable dynamic control and improve execution. These same digital capabilities are helping organizations rethink established processes, product offerings, structures, and business models.

Leaders must evaluate how to integrate the two levers of change—customers and compliance. This decision affects whether they can create the type of customer experience through digital that can propel their organization to greater strategic advantage, while remaining compliant.

Let's look at the digital journey organizations are taking.

## THE IMPACT OF CUSTOMER RELATIONSHIPS

Customer relationships for many organizations involve outward-facing customer connection points that bear little or no resemblance to internal business models or operations that separate activities by service and product. Decades of decisions that previously fueled growth and profitability now warrant re-evaluation in the age of digital transformation.

### Leaders are looking at a number of key areas:

- Will service specializations by product continue to fuel organic growth?
- Will adoption of a regional location or new legal identity impact regulatory constraints?
- Will scale and its greater cost-efficiency contribute to and accelerate consolidation decisions across the industry?
- Will product-centered line of business (LOB) models restrict the flow of insights around risk or limit cross-sell and operating synergies?

## THE TRUE COST OF COMPLIANCE

Going forward, compliance capabilities and agility to serve customers depends on how effectively organizations can reconcile interactions across their own complex structures, with the goal of an integrated internal view that meets the array of applicable regulations.

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“[Regulatory compliance] affects almost everything we do...I can't think about our technology spend without thinking of the number of heads I have to hire to build the systems to comply with the new regulatory reporting functions.” – GOLDMAN SACHS CHAIRMAN AND CEO AS TOLD TO BLOOMBERG

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In fact, a survey reported by The Wall Street Journal found that 78% of survey respondents said the lack of integration across software systems and applications increased their compliance costs. 58% graded these systems' ease-of-use a C (average) or lower—and 42% said they don't have access to real-time, consolidated compliance data on a dashboard or other platform.

Have the volume of present regulations and tight implementation timetables triggered cost expansion and pushed aside desires to innovate?

Compliance requires significant resources, including specialized compliance staff, training for anyone handling accounts—plus their management teams—and developers to modify the systems of record and reporting.

Without a modern digital remedy, organizations will be stuck in the status quo.

## INTELLIGENT AUTOMATION FOR COMPLIANCE AND CUSTOMER MANAGEMENT

Automation offers greater consistency and control of customer information. And, it helps control costs. More thoughtful, comprehensive plans can avoid duplication, streamline decisions, and ensure consistency.

However, the patchwork of older legacy systems has complicated efforts to automate compliance processes. And the lack of integration across software systems and applications increases compliance costs.

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Few clients seem to track which regulations impact the enterprise and which specific products or services the regulations apply to. – KPMG

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What does successful automation require? A vision. A bigger picture of your business environment.

Developing a roadmap makes it possible to find or create the path to successful automation. Begin to lay out this picture by assembling, organizing, and then linking rules, tasks, and data. Assembling the list of external regulators and rules is easy. Assembling the corresponding internal list of the LOB entities, their processes, and data systems should also be easy. But appropriately linking the two is anything but easy.

## ORGANIZING REGULATIONS

Can you easily map the internal path of data as it's collected and processed for new customers?

The scattered, organizational structures, data formats, and legacy system processes considerably complicate compliance tasks. Ideally, a standardized, but locally responsive rule-based system could sit at the core and enable consistency, making it easier to meet and adapt to locally nuanced regulation.

Various software-enabled systems offer execution control, transparency, and accountability. Many claim easy reporting and audit trails too. So compliance sounds doable—even simple—until you consider the internal reality of these auxiliary support systems.

Many outward-facing “customer relationship” processes quickly separate by product into different account-specific entry and access systems. Lookups of a customer rarely include dynamic or real-time data across all the customer's accounts, which makes the idea of relationship management inside the enterprise a mere pretense. The larger the organization, the more its age and breadth of service offerings determine the array of data management structures and processes.

Choosing the starting point and technology for change makes a tremendous difference in the costs, and more importantly, impacts the effectiveness.

## AUTOMATION MAKES A DIFFERENCE

Organizations that already rely on an integrated data management view may have a head start on managing factual, observed, and derived data. They gain additional benefits when they adopt a flexible, cloud-based platform for process automation. Gartner categorizes these systems with combination capabilities as intelligent business process management systems (iBPMS). These include intelligent features such as adaptive analytics, enterprise mobility, social collaboration, ad hoc processes, and cloud deployment.

McKinsey reports that organizations adopting this approach generate favorable ROI and rapid payback. How?

According to McKinsey, these firms successfully create workflow systems that overlay business process management tools and connect separate legacy systems, which in turn eliminates manual data entry and related errors across end-to-end processes.

## THE ADVANTAGES OF INTEGRATED DATA

Data control increases and aids governance, risk management, and compliance with transparency. Why? Because the platform enables consistent information to pass back and forth within different functions, readily and rapidly.

- **Inevitable exceptions stay on track** thanks to built-in mobile and collaboration capabilities to alert and resolve issues, all in the same platform.
- **Knowledge exchange is easy and efficient**, allowing issues to be disposed as quickly as they occur. The results improve the customer experience, ensure accountability, and document the action, thus preserving audit control. In this regard, compliance becomes a by-product of action.
- **Customer facing service and support representatives use the same, consolidated view** to provide more personalized, uniform responses over time to the same customer. This dramatically improves the customer experience, as the customer no longer has to repeat information—a common frustration and complaint.
- **Patterns and anomalies become easier to detect** when ongoing transaction level data across multiple products and accounts are brought together in a single view. Staff can be trained to understand, interpret, and record the same information in the same places, improving overall record quality.
- **Data in the case record can trigger analytic processes** to score the entire relationship in combination with external information. Complex analytical models for fraud detection, risk management, cross-sell, and compliance (as well as audit controls) can be developed and applied cost-effectively.

As you can see, people, processes, and data all benefit from a single relationship view. This advanced approach enables the entire enterprise to improve its practices while concurrently meeting its regulatory requirements.

An intelligent automation work platform—with all the capabilities Gartner identifies—opens opportunities for better compliance and greater customer insights to identify and address risks and opportunities sooner, more consistently, and holistically for the relationship...not just for a single product or service account.

## THE PATH TO COST-EFFECTIVE CHANGE

Organizing customer information into a single, flexible view allows enterprises to more easily adhere to compliance, while simultaneously enhancing due diligence, managing risks, and generating revenue.

How should you choose the right approach for your organization? Most theories of change emphasize a few ground rules to avoid failure:

1. Obtain buy-in and input from those people the changes impact.
2. Ensure leadership understands and communicates the objectives—clearly, repeatedly, and consistently.
3. Align the objectives to strategic purposes, performance expectations, and measurements.

Technology investments must mitigate both direct and indirect compliance costs. But only some offer future-proof assurance through flexibility—capabilities that deliver efficiency but also provide comprehensive and repeatable information, procedures for customer-related activities, and facilitation of counterparty interactions.

But do those systems also support the growth of your business and the ever-changing needs of your customers?

## ADOPTING AN AGILE DIGITAL PLATFORM APPROACH

Adopting an agile application platform approach can simplify assembly of individual customer information from across multiple sources, LOBs, and geographies. Further, a platform that is process-powered by BPM yet maintains a data-centric focus, can unify data and process for a complete view of the relationship, and a complete audit trail of the activities.

Different business functions and different LOBs no longer need to waste time and development effort constructing their own customer views—or have to search for the right information from across systems—as they use the same singular case data.

An agile platform, available on-premises or in the cloud, makes it possible to develop a process once and then reuse it on different account level data within the customer relationship record. The evolving changes in your customer, as well as regulations, become simpler to deploy and ensure consistency and control. Technology investments must mitigate both direct and indirect compliance costs...and offer future-proof assurance through flexibility.

Your enterprise can operate more effectively this way, too. The combination of information modeling and rules-based processing enables organizations to address the unpredictable as easily as the routine. As noted earlier, the rise in costs exceed the multiple regulators and regulations that create inefficiency and process gaps. You can correct poorly structured processes by embracing the perspective of your customer.

Finally, intelligent automation makes it easier to communicate and share the bigger picture of overall information flow, rather than the step and stage of process. The less structured processes make it possible for information to

determine the next best step, rather than the other way around. And a full scope of automation capabilities that include robotic process automation (RPA) for automating the repetitive tasks, resulting in employee productivity gains and a complete audit trail.

The end result? Greater transparency, execution control, and accountability to satisfy the demands of both regulators and customers, all on one unified platform. Take the next step and contact Appian to advance your digital journey—unify your processes and data, integrate compliance across your entire enterprise, and deliver business impact.



Appian provides a leading low-code software development platform that enables organizations to rapidly develop powerful and unique applications. The applications created on Appian's platform help companies drive digital transformation and competitive differentiation.

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