

JHS & Associates LLP **Excellencia Series**

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What is Governance?

Definition of 'Governance' by [Organisation for Economic Co-operation and Development\(OECD\)](#)

Corporate Governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Need for Governance?

Good Governance –

- ❖ Helps to build an environment of trust, transparency and accountability.
- ❖ Necessary for fostering long-term investment.
- ❖ Financial stability and business integrity.
- ❖ Thereby supporting stronger growth and more inclusive societies.

What is Digitalisation?

Definition of 'Digitalisation' by *Gartner*

Digitalisation is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.

Need for Digitalisation?

Digitalisation transforms organizations and brings together data across areas to work together more effectively. Benefits of Digitalisation are –

- ❖ Enhanced Data Collection
- ❖ Stronger Resource Management
- ❖ Data-Driven Customer Insights
- ❖ Better Customer Experience
- ❖ Encourages Digital Culture and Collaboration
- ❖ Increased Profits
- ❖ Increased Agility
- ❖ Improved Productivity



Impact of Digitalisation on Organizations

Changing Strategic Context

- ❖ Drives the diminishing of entry -barriers .
- ❖ Disrupts existing value-chains, industry structures and businessmodels.
- ❖ Opens the market for focused and fast-moving competitors .
- ❖ Creates a high degree of transparency, thus leading to a loss of the information monopoly.

Impact of Digitalisation on Organizations Cont..

Leveraging new opportunities through online collaboration

- ❖ Social networks and media can allow organizations to take advantage of the crowd whose ideas and expertise provide answers to problems or to seize new opportunities .
- ❖ Tracking devices enable shifting towards a sensor-based society where digital information is collected about people's preferences, what they do and with whom they interact .

Impact of Digitalisation on Organizations Cont..

Disappearance of organizational boundaries

- ❖ Building information sharing alliances with external companies.
- ❖ Setting up inter-organizational information management and information monetizing projects.

Government Initiatives on Digitalisation - Infrastructure

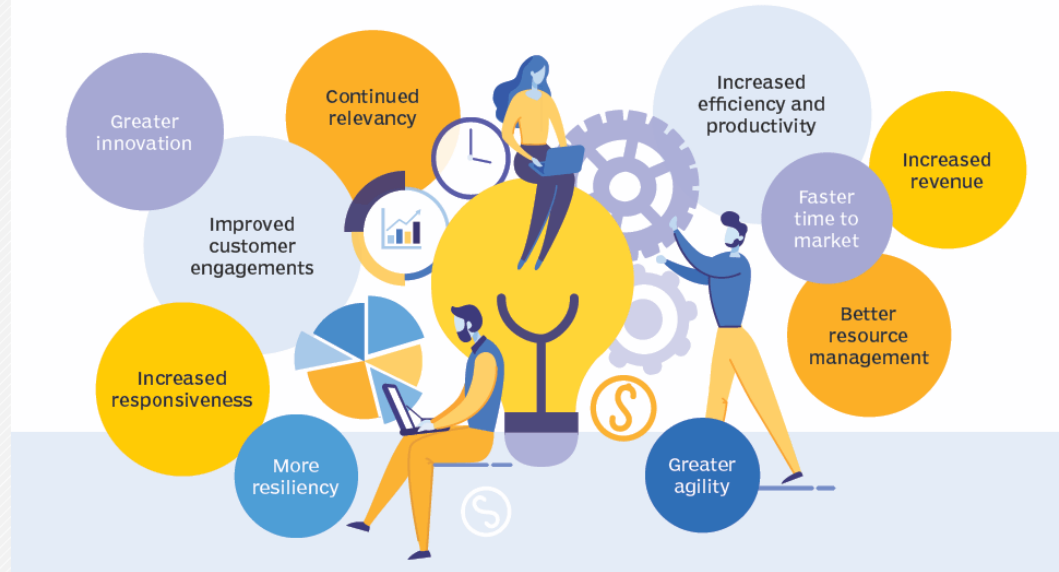
- ❖ **AADHAR** One of the key strengths of 'Digital India', wherein every resident of the country is given a unique identity number.
- ❖ **Bharat Broadband Network (BBNL)** This is the custodian of Digital India. The creation of the National Optical Fiber Network (NOFN) has been mandated in India.
- ❖ **Centre for Excellence for Internet of Things (CoEIT)** The main objective of the center is for creating domain capability and innovative applications.
- ❖ **CERTIN**. This is formed with the intention to secure Indian cyberspace.
- ❖ **Common Services Centres (CSCs)** CSCs are the access points for the delivery of essential public utility services, healthcare, social welfare schemes, financial, education, and agriculture services.
- ❖ **DigiLocker** A digital wallet to empower citizens digitally.

Government Initiatives on Digitalisation - Services

- ❖ ***Agrimarket App***. This mobile application aims to keep farmers abreast with the crop prices and avoid distress sale.
- ❖ ***BHIM (Bharat Interface For Money)*** This makes payment easy and quick using UPI.
- ❖ ***Crime and Criminal Tracking Network & Systems(CCTNS)***This aims for nationwide networking infrastructure for the evolution of an IT-enabled state-of-the-art tracking system around 'Investigation of crime and detection of criminals.'
- ❖ ***Crop Insurance Mobile App***. This app can be used to compute the insurance premium for notified crops based on the area of coverage, amount, and loan amount in the case of loanee farmers.

Digital transformational benefits in a nutshell

Digital transformation benefits in a nutshell



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PWCs 2020 Global Digital IQ Survey Result Findings



Source— PwC and Corporate Board Members, Digital evolution what corporate directors and executives think, May 2020 and PwC 2020 Global Digital IQ, February 2020 (US respondents)

PWCs 2020 Global Digital IQ Survey Result Findings Cont..

Is your workforce ready for a digital future?

- ❖ 40% of Directors polled and 71% of Senior Management Executives polled say the workforce is digitally savvy.
- ❖ 58% of Directors polled and 73% of Senior Management Executives polled say the workforce is engaged in the digital transformation process.

Source— PwC and Corporate Board Members, Digital evolution what corporate directors and executives think, May 2020 and PwC 2020 Global Digital IQ, February 2020 (US respondents)



PWCs 2020 Global Digital IQ Survey Result Findings Cont..

The biggest barriers to upskilling – top two choices for each group

- ❖ 34% of Directors polled cite difficulty in changing leadership mindset and standard processes
- ❖ 34% of Directors polled and 42% of Senior Management Executives polled cite lack of time.
- ❖ 48% of Senior Management Executives cite lack of strategic focus on training.

Source – PwC and Corporate Board Members, Digital evolution what corporate directors and executives think, May 2020 and PwC 2020 Global Digital IQ, February 2020 (US respondents)



Key Considerations for Boards on Digital Enablement

- ❖ Get smarter about the current technologies in place and new technologies on the horizon.
- ❖ Task working groups or committees with identifying the risks and rewards of applying these new technologies to board operations.
- ❖ Be clear on what problems you are trying to solve. Avoid the temptation to implement “shiny new object” technologies that may not be most effective for the problem at hand.
- ❖ Work with management to define the boundary between oversight and decision-making amid the implementation of new technologies.
- ❖ Put proper training mechanisms in place to get board members up to speed on new technology investments.
- ❖ Engage in dialogue with industry associations about digitising board processes.

Data Analytics, Continuous Control Monitoring, RPA, AI and Blockchain - Definitions

Data Analytics

Data analytics is the science of analyzing raw data to make conclusions about that information .

ContinuousControlMonitoring

Continuous controls monitoring (CCM) is a set of technologies to reduce business losses through continuous monitoring of financial and other transactional applications.

RPA

Robotic process automation (RPA) is a software technology that makes it easy to build, deploy, and manage software robots that emulate human actions interacting with digital systems and software.

AI

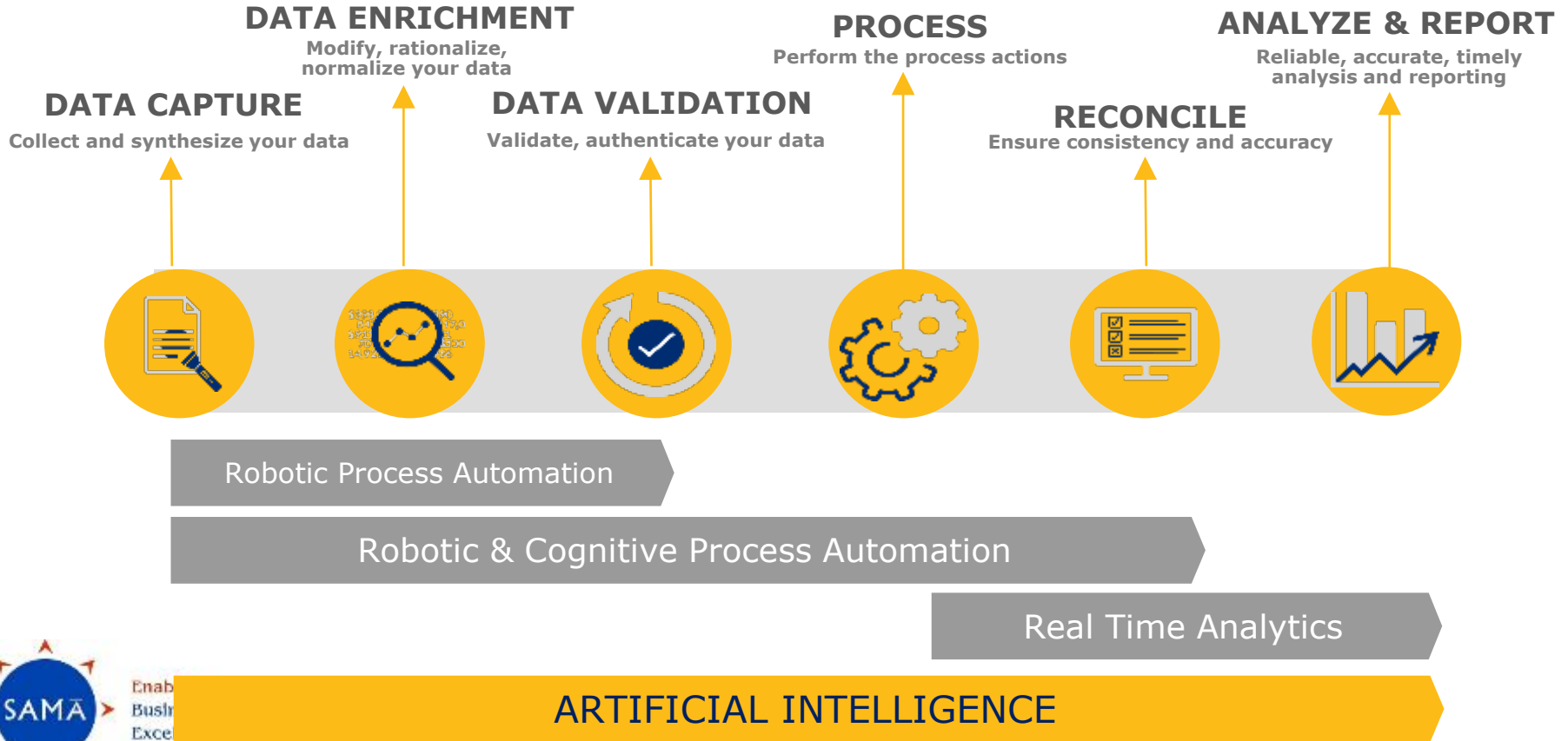
Artificial Intelligence (AI), the ability of a digital [computer](#) or computer-controlled [robot](#) to perform tasks commonly associated with intelligent beings.

Blockchain

A system in which a record of transactions made in bitcoin or another cryptocurrency are maintained across several computers that are linked in a peer-to-peer network.



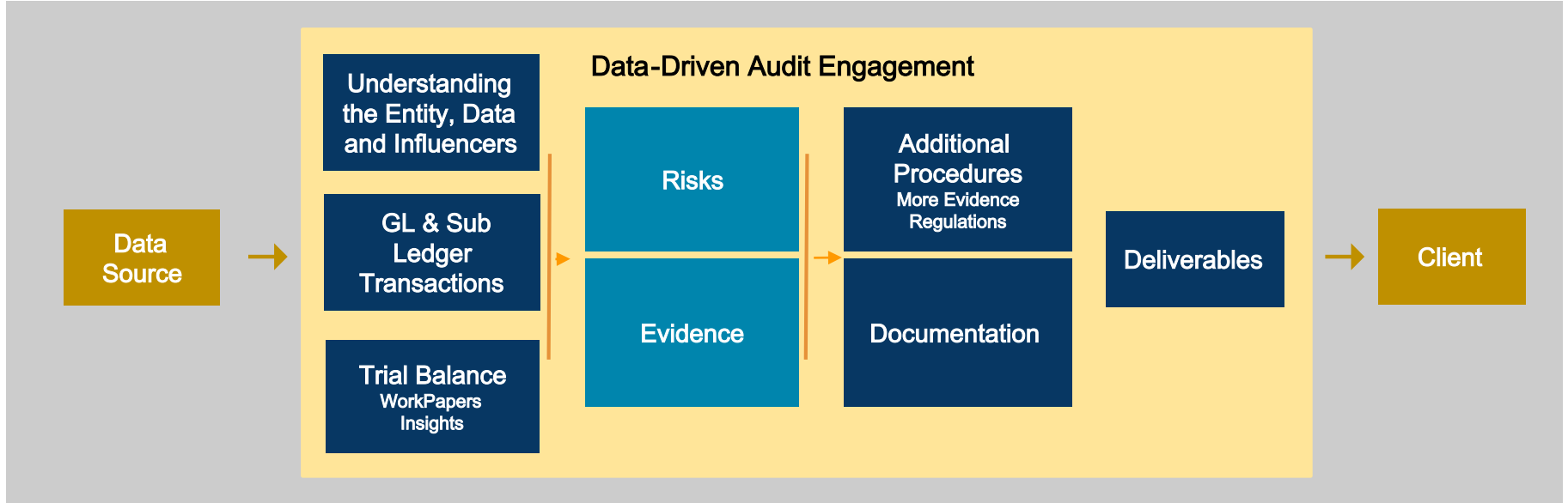
Risk-based, data-driven analysis - Schematic



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Adopted from Automation Anywhere

The Perspective on Data-Driven Analytics



Analytics

AI

BlockChain

Third Party

Case Studies- Data Analytics enabling Governance Digitalisation

Case Study on Data Analytics – 1 – Pharmaceutical Revenue Management Data Analytics

Organization Need

A global pharmaceutical major specializing in active pharmaceutical ingredients (APIs) for drug manufacturing and biotechnology required to have close oversight and regular reporting over key Revenue Management and Stock Return metrics in the Order to Cash (O2C) cycle across their 1000 + dealer and stockist network in Indian markets.

Solution

To test compliance with corporate Revenue Management and Stock Return Standard Operating Procedures (SOPs), the Company sought to analyze 100% of the Sale and Sale Return transactions with each Dealer and Stockist during the audit period to determine if the corporate was monitoring timely issue of near expiry Finished Goods pharma product batches to avoid holding of such batches beyond its expiry date. Further Stock Returns were checked and analysed to ensure that the Returns were being valued and accounted at par with the original Sale Invoice unit price. The Sales and Stock Returns data extract totaled over 500 million records for the one year audit period.

Result: Incorrect Credit Notes valuation issued for Stock Returns to the tune of Rs. 37.5 million. Expired pharma batches identified running into Rs. 15 million. Results of this analysis were validated and reviewed with Operating Management. Root cause was identified as Sales and Channel Team Managers manually overriding corporate suggested policies within the ERP systems to drive sales and benefit interested Dealers and Stockists.

Case Study on Data Analytics – 2 – IT/ITES Contractor Data Analytics

Organization Need

A large IT/ITES client with 100s of projects across the Americas & Asia maintains a large Contractor workforce supplied by a third party staffing firms. The client desired to audit Contractor workforce Performance Bonus payouts to determine if payouts were in line with the Contractor Contracts and performance as per SLA agreements.

Result

Relevant Contractor wise staff performance and payout data sets existed in the Contractor Management System to which our client had access. After over 3 to 4 days of analysis of a few million payout records for multiple contractors, data analysis results showed Rs. 12.5 million excess cash outflows owing to excessive performance bonus rates being applied contractor wise to benefit specific contractors. Further ineligible and inadmissible payouts were detected where SLA targets were not being achieved for the same contractors. Upon review of the findings with the Contract Management Team within the client, action was taken to delist non-performing contractors and remove the employees having a nexus with such contractors.

Case Studies– Continuous Monitoring enabling Governance Digitalisation Cont..

Case Study 3 – Continuous Monitoring in a Retail Entity

Organization Need

A large retailer wanted to monitor its point-of-sale (POS) transactions trying to identify fraud and abuse by associates at the register.

Solution

The following was performed as the solution to the need:

- 1.Established daily ETL procedures to obtain data from the POS systems for approximately 600 stores.
 - 2.Created a data warehouse and supporting data models to maintain and store data into perpetuity and drive dashboard performance.
 - 3.Created approximately 20 algorithms that monitored transaction activity on a daily basis. Transactions that are flagged by the algorithms are systematically placed in an Excel file and emailed directly to the divisional personnel responsible for loss prevention.
 - 4.Created a web-based dashboard and score-card solution that identifies outliers and gives end-users the ability to perform research (see trends, investigate transactions, and extract data to Excel for ease-of-use).
- Below are sample screenshots of the email alerts and scorecard/dashboard.

Retail Analytics – 20 algorithms

Cash Disbursements

- Monitor cash disbursements for stores
- Track cash disbursements for contractor and vendor services
- Summarize cash disbursements by account, bank, group and vendor
-

Loss Prevention

- Compare "No Sale" transactions to cash-voided transactions by associate
- Identify stores with significant allowances
- Isolate duplicate return transactions
- Identify incomplete exchange transactions
- Look for check purchases and refunds within 15 days
- Find credit card purchases and refunds to different credit cards (same day)
- Identify potential fraudulent or improper transactions through selling price differences between stores

Purchase Order Management

- Reconcile order received to purchase order to identify shipments not ordered
- Extract pricing receipt quantity variations by vendor and purchase order
- Track scheduled receipt dates versus actual receipt dates
- Compare vendor performance by summarizing item delivery and quality
- Compare accrued payable to received items to reconcile to the General

Additional Tests Include:

- Analyze gross profit
- Identify items past their shelf life
- Compare holdings and inventory turnover per product line between stores
- Isolate price adjustment transactions



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Case Studies– Continuous Monitoring enabling Governance Digitalisation Cont..

Case Study 4 – Continuous Monitoring in a Power Transmission Projects Company

Organization Need

A global Power Transmission Projects Company wanted to monitor its global project Temporary Worker Wage Bills to capture irregular and inadmissible wage bill payments by its Manpower Agents at the project sites.

Solution

The following was performed as the solution to the need:

- 1.Set up weekly background Oracle Report runs to obtain data from the Wage system for approximately 175 sites.
- 2.Created a data repository (data lake) to maintain and store the input wage bill data project wise along with masters site wise.
- 3.Configured 12 metrics that monitored suspect wage payments on a weekly basis. Transactions that were flagged by the Analytic Tools were escalated through a defined project site based workflow to the project personnel responsible for risk mitigation at the site.
- 4.Built Dashboards that identified wage payments to ghost workers, duplicate payments, inadmissible allowances paid as per the type of work, role, grade, overtime payments in excess of local country / province rules for worker overtime limits and more.

Case Studies– Continuous Monitoring enabling Governance Digitalisation Cont..

Case Study 5 – Continuous Monitoring in a Logistics Company

Organization Need

A global Logistics Company wanted to build a monitoring framework to have regular oversight on tax compliance with statutory and regulatory provisions for timely and accurate withholding tax (TDS) deduction.

Solution

The following was performed as the solution to the need:

- 1.Set up daily ODBC integration with SQL based bespoke FinApp to obtain tax deduction entries for few thousand bills generated daily for Logistic, Carrier, Freight Station charges etc.
- 2.Created dynamic SQL views to maintain and store the Invoice and TDS data day wise.
- 3.Designed 9 tax compliance reports with exceptions flagged by IDEA Macros which were assigned through an elaborate notification management system Head Office wise/Branch wise to the Customer Account personnel responsible for legal compliance at each centre.
- 4.Customized Dashboards that presented insights into Bills without TDS deducted – revenue charge wise, Customers not furnishing a PAN or with duplicate PANs and incorrect TDS deduction rates, TDS deducted and not reconciled to payments done before the due date and more.

Case Studies– Continuous Monitoring enabling Governance Digitalisation Cont..

Case Study 6 – Continuous Monitoring in Hotels & Luxury Resorts

Organization Need

A homegrown Luxury Hotel chain wanted to design a real time monitoring facility to have regular assurance with preventive safeguards on timely and accurate revenue management.

Solution

The following was performed as the solution to the need:

- 1.Set up daily script based capture of PDF files generated from the Reservation cum Guest Billing ERP to obtain Guest Confirmation details, Bills raised for Room / F & B along with master based Rack Rates/Lower Discounted Guest Rates etc.
- 2.Created daily repositories of PDF reports converted to staging (intermediate) base data files in IDEA.
- 3.Configured 7 revenue management assurance reports with exceptions flagged by IDEA Macros which were assigned to the Property General Manager and Night Auditor in each Property.
- 4.Customized Dashboards that presented insights into 'Actual Room Rates not as per Standard Rack Rates – property wise', 'Postings to Customer Bills after Checkout', 'F & B Bills voided' and more.

How emerging technologies might impact boards?

- ❖ Advancing technologies could be useful to boards in enabling data-driven decision-making.
- ❖ AI could be used to track an organization's capital allocation patterns so that boards can identify potential concerns like a company cutting R & D spends while most competitors are increasing it.
- ❖ Technology might even be able to suggest appropriate investments to protect the organization's market share.
- ❖ Greater transparency into underlying data such as risk or performance data to support effective management decision making.
- ❖ Management to use advanced technologies to better access, collate, analyze, and communicate information to boards.

How boards can help digital transformation

Be clear on the implications of technology–

- ❖ The complexity and speed of change in digital and technology can make it difficult for board directors to focus on technology as a crucial strategic priority that can unlock new revenue and competitive advantage.
- ❖ The goal for the board isn't to understand the technology but, rather, to understand its implications.
- ❖ One way to address this issue is to bring on new board members whose experience aligns with the business's strategic priorities . If e-commerce is crucial, find a board member with that experience and expertise. If it's supply-chain digitalisation , then a different profile with that background is needed.

Ensuredigital transformation fundamentally changeshow businesscreatesvalue–

- ❖ Scale – digital transformation initiatives should have the potential to influence operating profits positively .
- ❖ Source– the Board can make sure that managementis exploring ways to tap tech to create new sourcesof value.
- ❖ Scope– digital transformations require long term commitments to reap full rewards they can deliver . Boards must press their CEOs to make sufficient expenditures for long-term sustainable initiatives .

Track whether the digital transformation is working –

- ❖ While board members generally have some kind of dashboard to review, the metrics don't show whether “digital” is happening.
- ❖ Facilitate a framework to build, monitor & track Return on Investment (ROI) of digital and technical investments.
- ❖ For example – one metric is how quickly ideas are translated to frontline tools.

Get expansive about talent -

- ❖ Boards need to engage regularly with senior leadership on progress made in developing digital talent bench.
- ❖ Because few companies will be able to “hire their way to victory”, upgrading talent must be a core pillar of the business program.
- ❖ Boards can help companies move past outdated training approaches and push senior management to develop targeted learning journeys that map to the capability needs of the business for the near future .

Understanding where non-traditional emerging threats are -

- ❖ Boards will need to expand their view of where threats exist as digital businesses migrate into new sectors.
- ❖ Boards can help press executive teams to understand where digital driven threats emerge from and how quickly they can navigate to mitigate emerging risks from these threats.

Common Digital Governance Mechanisms

	Role in sharing and coordination	Typical benefits and challenges
Shared Digital Units	<p>Sharing is the main objective of these units. Resources with specific skills are pooled together to develop digital services for all units in the company. Some coordination also comes naturally as the units develop technology standards and implement policies governing use of their services. However, coordination of digital initiatives requires additional mechanisms.</p>	<p>Benefits: New digital skills, shared digital services, economies of scale.</p> <p>Challenges: Structure and positioning in the organization, coordination difficulties with local unit leaders, definition of the "service catalog."</p>
Firm-Level Committees	<p>Firm-level committees aim for coordination</p> <ul style="list-style-type: none"> ▪ Steering committees: Making investment decisions, prioritizing resources, ratifying policies and standards. ▪ Innovation committees: Identifying technology-enabled opportunities, proposing rules and standards around new technologies. <p>However, some of the decisions and policies adopted by the committees may mandate sharing of resources and capabilities.</p>	<p>Benefits: Digital standards and policies, consistency across digital initiatives, resource optimization, adoption of new digital trends.</p> <p>Challenges: Additional mechanisms are often required to lead transformation or to enforce standards and policies.</p>
New Digital Roles	<p>New digital roles drive the use of shared digital resources, such as helping local units to adopt firm-level solutions or use centralized resources. These roles also coordinate across different initiatives and organizational units.</p>	<p>Benefits: Relay the digital strategy, help to enforce firm-level policies, facilitate adoption of shared capabilities by local units, facilitate cultural changes</p> <p>Challenges: Positioning in the organization, relationship with the local units, building the networks of local champions.</p>

Case Study on Digital Governance 1

Case Study 1 – Challenges of Diversified Governance

Organization Need

An Investment Management Company with presence in over 40 countries was facing globalization, customer requirement and regulatory pressures to integrate information across business units and regions.

Solution

The following was performed as the solution to the need:

Governance Mechanisms

1. Setting the stage to transform the company's many IT systems into a unified global platform.
2. IT Governance was extended to include new digital initiatives such as social reputation monitoring, micro-blogging, video promotions and mobile selling.

Platform and Benefits

1. The change is expected to generate economies of scale and reduced time-to-market.
2. The new unified framework enables Executives with strong analytic capabilities.

Case Study on Digital Governance 2

Case Study 2 – Governing Specific Digital Capabilities

Organization Need

An International Auto Giant with presence in over 100 countries and a network of 2300 local dealers was facing a challenge of having little direct knowledge of specific end customers. The intent was to develop a more direct relationship with the end customer without disrupting the relationships dealers have with them.

Solution

The following was performed as the solution to the need:

Governance Mechanisms

1. Designing effective connected-cars experience for end-customers requiring strong IT connect coordination between marketing, manufacturing, R & D and sales.
2. Setting up a Connectivity Hub to ensure strong alignment between connectivity teams and tech teams using mobile apps and innovation.

Platform and Benefits

1. New connectivity services such as remote control or on-road assistance.
2. Better visibility into who the customers are, which cars they own, how long have they owned the cars, how often do they service, how much do they spend on their car. This visibility has helped the company move from mass marketing to one-to-one customized customer centric marketing.

Case Study on Digital Governance 3

Case Study 3 – Developing a New Digital Unit

Organization Need

A Global Apparel manufacturer of clothing, footwear and sportswear has a successful business of good products and compelling brands. Digital technologies were widely used internally for direct vendor integration, product design. While the initiatives were effective, they were managed separately from each other.

Solution

The following was performed as the solution to the need:

Governance Mechanisms

1. Developed a shared digital unit to deliver all digital capabilities for the firm such as mobile apps and digitally improved products.
2. Each major product line as well as digital unit has an innovation group. These groups identify new ways to use digital technologies to improve products.

Platform and Benefits

1. Shift from product-centricity to customer-centricity.

Thank You

