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How compliance can be tech leaders in 'Industry 4.0'

By Kudzai Chaka, LLB Honours

Kudzai Chaka (kudzaic@kccompliance.co.za) is the founder and CEO of KC Compliance in Johannesburg, South Africa.

- linkedin.com/in/kudzaichaka/

- youtube.com/channel/KCComplianceLearning

The Fourth Industrial Revolution, also known as Industry 4.0, is upon us and is the subject of much discussion globally. It is addressed at conferences attended by world leaders such the World Economic Forum in Davos, Switzerland, and many scholars have written think pieces about its current and projected impact. Some are filled with optimism around its benefits for humanity, while others believe we are headed for scenes of machines taking over the world. Regardless of which side your opinion lies or whether you are comfortably perched on the fence, the fact of the matter is that the Fourth Industrial Revolution is here, and the world is changing rapidly before our eyes.

The buzz word when talking about Industry 4.0 is "disruption." For compliance practitioners, the questions are: How will Industry 4.0 disrupt our profession, and will it be for the better? It is time to take a good look at how we work and determine how we can use the dawning of a new technological era to enhance what we deliver and how we deliver it. It is time for a mindset shift to ensure that we remain relevant, trusted, and customer-centric advisers in the industries in which we operate.

Embracing the benefits of innovation

"The brain that contains the problem probably also contains the solution….If the conditions are right, the huge intelligence of the human being surfaces….Ideas seem to come from nowhere and sometimes stun us." – Nancy Kline.[1]

Innovation in robotics, 3D printing, blockchain, machine learning and artificial intelligence, and bioengineering were at one time phantoms of the imagination largely brought to life in movies like *The Terminator*. However, today technological advancement is bringing about undoubtable real-life changes with benefits such as increased efficiency, reduction in inequality with greater inclusion, increased competitiveness, and cost reduction, to name a few. Previously, where many hands gathered to complete a task, now robotics has made it possible to reduce head count and production time. (Robots do not take lunch breaks!)

This is not to imply that a lot of people's worst fears of being replaced by robots are materializing; instead, it is about seeing the opportunity to better use human capital in areas where it is most effective and will have a greater impact. If automation or robotics can take over some of our more routine clerical and repetitive tasks, it provides us the opportunity to come up with solutions to problems and innovate—to analyze data and use them to make meaningful decisions and improve upon existing methodologies.

We need to shift out of the mindset of fearing redundancy to instead focus on how the Industry 4.0 is allowing us to do what we do best. In an interview with Business Insider at the World Economic Forum in 2020, Ellyn Shook,

Accenture's chief leadership and human resources officer, said, "People are an organization's most significant source of competitive advantage…Technology will be able to do a lot of work that humans are doing today, but it's the human skills, it's the creativity, it's the collaboration, it's the communication" that sets people apart from computers.[2]

Compliance risk management reimagined

Imagine a world where implementing innovative technological solutions means the automation of all manual processes, simplified reporting and reliable data that are easily accessible, and transparent tracking of issues and remediation—with real-time progress reporting and visibility for all stakeholders. Imagine a reliable document storage system from which you can retrieve linked documents across multiple lines of business and obtain a single view at the click of a button. The left hand will know what the right hand is doing, and there is no duplication of work, no more manual and onerous data capturing. Imagine having the time to focus on risk analysis and being more responsive to business needs such as assessing product development and business expansion. We would have the time and capacity to think strategically about compliance management and work toward developing a strong compliance culture.

The reimagined compliance function, enabled by technology, is a function that moves further away from reactive risk management and moves closer to being a forward-thinking, proactive, and value-adding adviser to the business.

A study of the state of adoption

The Thompson Reuters fifth annual survey on *Fintech, Regtech, and the Role of Compliance* surveyed 400 compliance and risk practitioners to explore how financial services firms have kept up with the pace of new technology. "The survey found that the adoption and implementation of technology has taken a huge leap forward during the pandemic, despite continuing budget challenges that face firms."[3]

Despite the progress being made in adopting technology and its benefits, the report also raised the point that firms need to exercise caution in deploying solutions and to do so only on solid foundations of good corporate governance. This means having the right structures and processes in place to ensure that all relevant stakeholders have input and oversight over the rollout of new technology. A quarter of respondents reported that boards and risk and compliance functions need more involvement in the process of deploying technology solutions. The absence of appropriate skill sets (i.e., not having sufficient knowledge and understanding of the various technologies and their impact and, therefore, being ill-equipped to evaluate and participate in the implementation process) is viewed as a possible reason for lack of participation. Only 15% of firms have invested in specialist information technology (IT) skills, such as data analytics, information, and cybersecurity, for the risk and compliance function; and 24% who have not yet done so know it is needed.[4]

If we assume for a moment that similar trends exist across other industries, then there is a real need to recognize and address the skills gap that exists within our profession. Until this gap is addressed, compliance practitioners will not be able to properly guide and advise the businesses they support as the Fourth Industrial Revolution gains momentum.

Closing the skills gap

Now that we have articulated the challenge, we need to determine the way forward. I believe the solution is "up-skilling"—that is, learning new skills to increase one's own performance and effectiveness, thereby expanding the breadth of their career path. This does not mean that along with your day job you would be required to

become a software developer or robotic process automation engineer. Instead, it means taking the time to identify and learn about technological advancements taking place in your industry to add value to your current skill set. It also means sharpening soft skills, such as effective communication and collaboration, which will be in high demand going into the future.

The World Economic Forum publishes *The Future of Jobs Report* annually, wherein it maps the jobs and skills of the future, taking into consideration economic cycles, technology adoption, and, for the 2020 report, disruptions caused by the global pandemic. The report acknowledges that there will be a restructuring of tasks between humans and machines, but the extent of the disruption will vary depending on the worker's occupation and skill set. One of the key findings in the report is that "top skills and skill groups which employers see as rising in prominence in the lead up to 2025 include groups such as critical thinking and analysis as well as problem-solving, and skills in self-management such as active learning, resilience, stress tolerance and flexibility." The report goes on to say that "the tasks where humans are expected to retain their comparative advantage include managing, advising, decision-making, reasoning, communicating and interacting."[5]

The skills and experience we hold as compliance practitioners are invaluable and necessary for businesses of the future operating in an ever-more-demanding regulatory environment. It is therefore imperative that we equip ourselves to apply those skills to the rapidly evolving business landscape.

There is a wealth of online resources available through which we can learn about industry-specific technology developments, how they work, and their benefits and associated risks. Additionally, in this time of lockdown, take the opportunity to invite the IT specialist in your organization to an informal, virtual coffee break to ask a few questions about cloud computing, big data, artificial intelligence, and any other technologies emerging in your industry. The IT department is good for more than password resets.

Learn and adapt

The key to remaining relevant and valuable contributors to our industry lies simply in embracing change and being committed to continuous learning and development. Formal training is wonderful, and technical skills are important; however, they alone do not make an accomplished compliance practitioner. Allow yourself to stretch beyond the parameters of compliance methodology and flex those creativity muscles. Your ability to learn, adapt, and deal with complexity will serve you well and enable you to future-proof your career.

Industry 4.0 is well underway, and as it progresses, change will continue to happen across all industries. It is therefore important for all compliance and ethics professionals to embark on the journey of continually adapting —starting now—to be able to meet their organizations' technology compliance needs.

About the author

Prior to establishing her consulting company, **Kudzai Chaka** gained several years' compliance experience within financial services. She earned her law degree from Rhodes University.

Takeaways

- Human skills have an important role to play in the Fourth Industrial Revolution, and these skills cannot be replaced by machines.

- Good corporate governance requires compliance involvement in assessing the deployment of technology as part of its risk management mandate.

- A skills gap currently exists, and more investment needs to be made to encourage compliance practitioners

to improve and expand their skill sets.

- Well-considered applications of innovation can elevate the quality of work produced by compliance practitioners and should be embraced.

- A willingness to learn about emerging technologies and develop in-demand skills will help compliance practitioners be more effective in their work.

1 Nancy Kline, *A Time To Think: Listening to Ignite The Human Mind* (London: Ward Lock, 1999).

2 Cadie Thompson and Tyler Sonnemaker, "Why humans, not machines, are companies' biggest competitive advantage," Business Insider, January 2020, http://bit.ly/3r2mlxC.

3 Susannah Hammond and Mike Cowan, *Fintech, Regtech and the Role of Compliance 2021*, Thomson Reuters, November 2020, http://tmsnrt.rs/3ePNamc.

4 Susannah Hammond and Mike Cowan, *Fintech, Regtech.*

5 World Economic Forum, *The Future of Jobs Report 2020*, October 2020, http://bit.ly/38P4iVf.

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