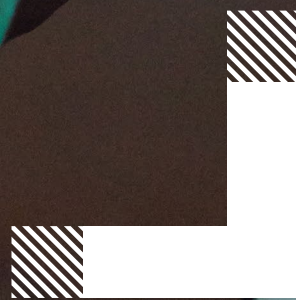
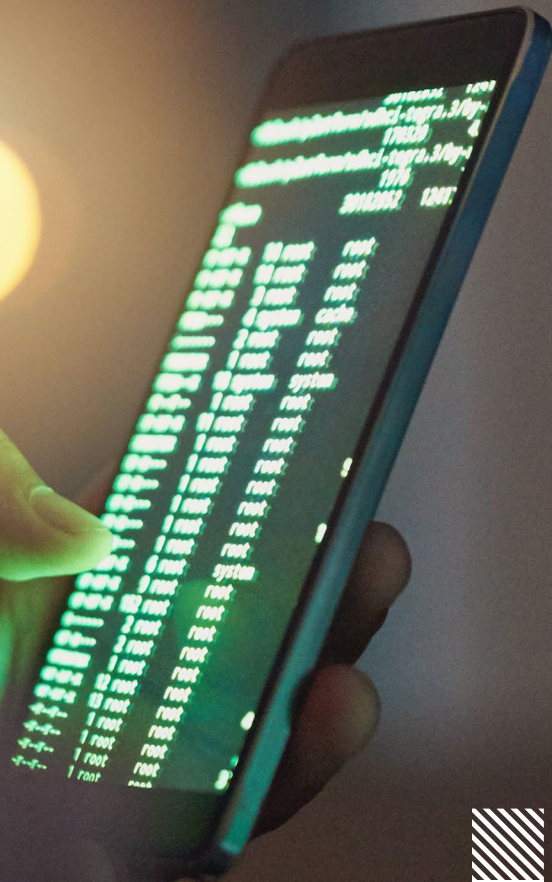


Global capability centres: Facilitating seamless legal and compliance management





Transforming legal and compliance functions within GCCs

According to PwC's 27th Annual Global CEO Survey, 45% of CEOs believe their companies will find it difficult to stay competitive in ten years if they continue on their current path.¹ CEOs have identified two areas which they believe need addressing – inefficiencies in routine activities such as decision making, meetings and email communication, and changes in government regulations (which remains one of the top three threats to organisational growth).¹

Government regulations are complex and ever-changing. These complexities bring challenges related to adherence and increased pressure to comply. Non-compliance can lead to legal, financial and reputational consequences, affecting both organisations as well as individual business leaders. CEOs and CXOs recognise the urgent need to prepare themselves for regulatory changes, which will ultimately help them deliver sustained outcomes for all stakeholders.

The tasks and activities of legal and compliance teams have become more challenging over the years. In-house teams are required to manage growing expectations with the same or even fewer resources. What is more, in today's business environment, legal and compliance teams are expected to not just serve as a first line of defence, but also actively participate in the transformation and growth agendas of the wider organisation. Add to this the tracking and monitoring of these changes on a global scale, and you have a very a complex ecosystem that is only getting harder to manage.

To address these challenges, businesses have often explored short-term measures such as cost cuts and siloed tech investments, which only address immediate challenges. To make this transformation sustainable, they must also focus on strategic investments, particularly in talent and technology, that affect the overall legal and compliance function. These initiatives give in-house legal and compliance teams a unique opportunity to change how they operate and to expand their impact and influence across the organisation. This transformation of the legal and compliance functions requires re-imagining working models, processes and the value these teams provide to the business. One approach to bring about this transformation is to establish legal and compliance centres of excellence (CoEs) within global capability centres (GCCs).

This article explores the strategic planning this approach would entail. By setting up these CoEs, organisations can gain a strategic advantage in managing legal and compliance operations across diverse geographies by focusing on their core competencies while benefiting from enhanced operational efficiency.

The transformation of legal and compliance functions is now a top board agenda that requires rethinking structures and processes. In-house teams can significantly enhance their value to the business, ensuring that organisations are not only compliant but also well-positioned for future growth and sustainability.

¹ PwC's 27th Annual Global CEO Survey

Key emerging challenges for managing global legal and compliance functions

The emerging challenges faced by legal and compliance teams require creative solutions and strategic foresight. Below are the primary challenges faced by global organisations:

- 1. Strong focus on efficiencies:** Under pressure to achieve more with the same or reduced costs, organisations are finding new operating models that can deliver better results without escalating expenses.
- 2. Doubling down on technology:** Adoption of technology in legal and compliance functions has often been intermittent and ad hoc, leading to non-cohesive systems. Moreover, with the advent of newer emerging technologies such as generative AI (GenAI) and other forms of artificial intelligence, companies have to be ready to find and embrace new ways to enhance efficiencies. However, integrating these technologies remains a significant challenge.
- 3. Geographical spread:** The blurring of geographic boundaries and rise of protectionist laws are complicating compliance efforts. Organisations must navigate multiple regulations from local authorities, which can vary significantly across jurisdictions, adding complexity to global operations.
- 4. Dynamic legal environment:** The legal landscape is continually evolving, with changes in existing laws and the emergence of new legal areas within labour laws and data privacy or new regulated areas such as cybersecurity and protection of critical infrastructure. Staying abreast of these changes and ensuring compliance across all jurisdictions is a formidable task.
- 5. Regulated services and industries:** Certain services and industries are subject to stringent local and international regulations. This requires deep understating
- 6. Increased regulatory scrutiny:** Regulators worldwide have become more proficient at detecting compliance violations, leading to increased scrutiny. This places more responsibilities on organisations to implement enhanced internal controls to ensure compliance, adding increased pressure on the legal and compliance functions.
- 7. Accountability of the board:** Given that senior management and board members are directly accountable, organisations need to implement a unified approach to compliance management to ensure they have better access to reports and analytics to make responsible decisions. Corporate governance and compliance are closely linked and thus the need for clear reporting structures which are critical to meeting these heightened expectations.
- 8. Social impact and trends:** Concerns around gender pay gaps, workplace equality and environmental concerns are exerting significant pressure on organisations. Management needs to be prepared to tackle these social trends in order to maintain a positive corporate environment and comply with evolving societal expectations.

GCCs are fast becoming the go-to solution to manage these global legal and compliance challenges. They are now moving away from being conventional centres of operational support by creating specialised legal and compliance CoEs for their parent organisations. These CoEs have evolved to build stakeholder trust, implement centralised controls, remove siloed operational methods and streamline cross-border business activities.

How should you build a legal and compliance CoE in your GCC?

Establishing a legal and compliance CoE within your GCC is a strategic initiative. The necessary steps and considerations for successful implementation are outlined below.

Step 1: Align your legal and compliance function strategy with the organisational vision.

Defining the 'why'

To begin with, it is crucial to ensure that strategy is aligned with the overall vision of the organisation. What are the motivations to explore this new working model for the compliance function? Defining the why provides clarity for the CoE's existence and its strategic objectives.

Suggested steps and considerations:

- 1. Engage leadership:** Conduct workshops with business and functional leaders to understand the organization's agenda and expectations from the legal and compliance functions.
- 2. Set guiding principles:** Work with legal and compliance leaders across the globe to establish guiding principles (e.g. governance structure, cost vs benefit analysis) and key performance indicators (KPIs).
- 3. Benchmarking:** Perform benchmarking using primary and secondary data, preferably from the same or similar industries – how have others done this? What have the learnings been?
- 4. Internal communication:** Develop an internal communication dossier on how you plan to socialise the vision statement and strategy for transformation – get buy-in.

Step 2: Conduct a diagnostic assessment of the current state and have a guiding principle for fit-for-purpose design.

Defining the 'what' and 'how'

Conduct a comprehensive diagnostic analysis of the current state to identify gaps and establish guiding principles to start the process of transition.

Suggested steps and considerations:

- 1. Activity survey:** Prepare an activity-analysis report where you break down each activity being performed and by whom, workforce count, overall costs, process mining, culture, technology assessments, current function and KPIs.
- 2. Gap analysis:** Prepare gap analysis reports based on internal and external data around processes, organisation, technology landscape, culture and governance.
- 3. Technology impact assessment:** Evaluate the impact of AI, GenAI and other legal technologies on the overall operating model.
- 4. Improvement roadmap:** Prioritise improvement areas and develop a benefits roadmap for the 'to be' organisational design, considering both short-term and long-term views.

Step 3: Operationalise the legal and compliance CoE in the GCC.

Defining the 'operational plan'

The final step involves the operationalisation of the CoE, which includes building, implementing and transitioning to the new model. This includes everything from transitioning people, processes, and knowledge and hand-holding through to a go-live situation.

Suggested steps and considerations:

- 1. Operating model design:** Consider all design options such as outsourcing vs retained, centralised vs decentralised, in-house vs outsourced, and GCC vs business unit vs corporate.
- 2. Organisation design:** Develop the organisational structure, job descriptions, skill assessments and KPIs.
- 3. Business requirements:** Document business requirements around processes and technology design, including functional and technical specifications, Responsible-Accountable-Consulted-and-Informed (RACI) matrix, KPIs, and adoption of new-age Legal Tech.

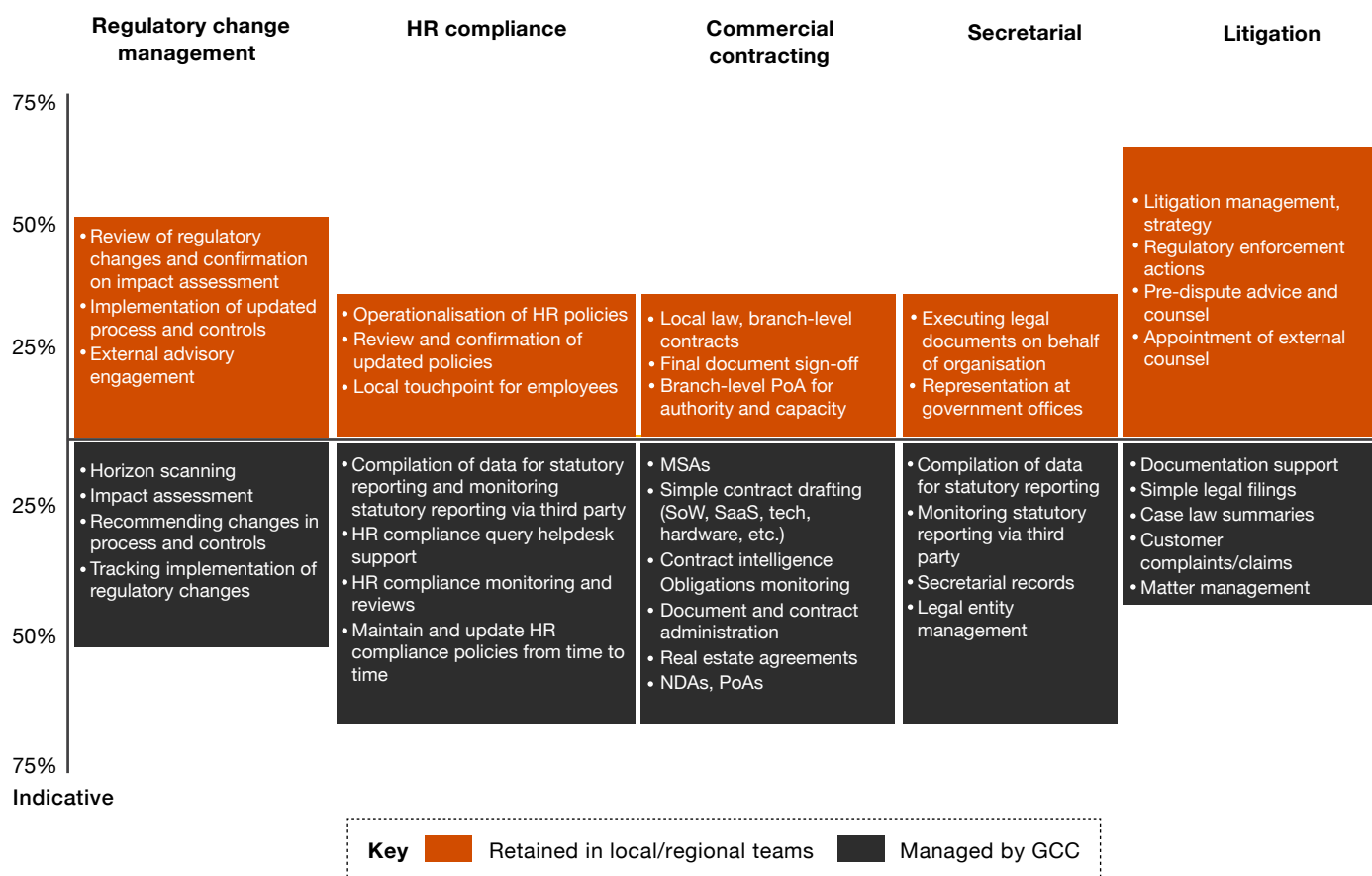
4. Talent and competency model: Create a framework to plan for all the upskilling or talent needs, addressing issues such as language requirements, technical requirements and establishing a pathway for career progression.

5. CoE and business partnering design: Define charters, identify training requirements, set performance metrics,

and develop rollout plans and KPIs/service-level agreements (SLAs).

6. Governance forums design: Design governance structures for the overall KPIs, policy adherence, external vendor management and risk management protocols.

Illustrative outcome of step 2: Determining the right balance between roles in the GCC and HQ/ regional offices



Source: PwC analysis

How can PwC partner with you on your journey to setting up a legal and compliance CoE?

PwC can serve as your co-traveller on your journey to realising the strategic advantages of establishing a legal and compliance CoE within your GCC, offering comprehensive support and guidance. Here's how we can assist you:

1. Strategic planning and business case development:

PwC will collaborate with you to build a detailed and compelling business case, outlining all aspects of the cost vs benefits analysis of this decision.

2. Assessment and transition roadmap:

PwC will identify which roles and tasks can be transitioned to the GCC and then help you develop a clear and actionable transition roadmap.

3. Location identification and hiring support:

PwC will assist in identifying the right location where legal and compliance skills are readily available. We will partner with you throughout the hiring process – from drawing up job descriptions to helping you attract and retain top talent.

4. Skilled professional support:

To build, operate and stabilise your CoE in its initial phase, PwC's experienced professionals who have successfully executed similar projects in the past can augment your team, effectively acting as an extension of it.

5. Legal Tech solutions and transformation roadmap:

PwC will help you identify the best Legal Tech solutions available and assist in creating a comprehensive tech transformation roadmap to enhance your CoE's efficiency and effectiveness.

6. Framework, standard operating procedures (SOPs) and process standardisation:

We will develop a robust framework, SOPs and a playbook to bring in process standardisation and operational consistency within your CoE.

By partnering with PwC, you gain access to a wealth of knowledge and experience, setting up your legal and compliance CoE for long-term success.

PwC's Legal and Compliance Tech offerings

Compliance Insights – Compliance Management Module

Compliance Insights is our proprietary compliance monitoring platform. The tool helps automate regulatory compliance management and monitoring. With a legacy spanning over 17 years, Compliance Insights has helped more than 200 organisations and 7,000+ users across 70+ countries transform the way compliances are managed.

Compliance Insights – Regulatory Tracking Module

This is PwC's cutting-edge digital platform, designed to help organisations stay ahead of emerging laws and regulations. This innovative tool enables you to (1) track emerging regulations and stay informed about new and evolving laws and regulations that impact your business; (2) conduct impact assessments collaboratively to assess the implications of regulatory changes on your organisation; (3) develop implementation roadmaps with detailed plans to update your policies and procedures in response to regulatory changes; and (4) monitor actionables by keeping track of tasks and ensuring compliance with all regulatory requirements. The platform is powered by over 200 regulatory and compliance professionals, and supported by PwC's global network of more than 4,000 legal, technology and consulting professionals across 100+ territories.

Contract Insights

Contract Insights is a technology platform that aims to address end-to-end contract lifecycle needs by streamlining the generation, negotiation, approval, storage and post-contracting obligations. The tool helps deliver value in dealing with the management of large contract volumes, non-standardised contracting processes and revenue/cost leakages. In addition, it generates analytics for key insights.



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