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## KPMG Perspectives

# Act now on innovation as disruption revolutionizes the rules

### Part Two

**K**PMG firms typically see a “disconnect” today between leaders and their information-technology function that results in insufficient analysis of future business needs—including cyber security. Firms need to create new levels of alignment and collaboration between senior executives and their IT function in order to begin treating disruption and innovation as significant business opportunities rather than as “IT problems”.

This will require senior executives to develop a much greater understanding of the unprecedented impact technology and digitization is having on businesses overall, including cyber security. As the survey revealed, many CEOs admit to feeling uncertain about how well-prepared their business is to respond to a cyber-security breach.

An increased understanding of the impact of technology among senior leaders and boards can drive more informed and sophisticated dialogue across the organization on the nature of new and unfamiliar threats that could disrupt entire processes and operations.

Beyond sharpening their focus on how technology is accelerating the need for innovative solutions, boards and leaders driving change will need to adopt a more holistic, 360-degree view of their business that also includes its people and processes. Assessing future talent needs, for example, will be critical to innovation that drives transformation.

It’s crucial that businesses look closely at the talent that’s required today to generate innovation and success tomorrow. Effective change needs to be addressed as a continuum combining technology, people and processes, and leading ultimately to

a culture change in which innovation is built into the DNA of every organization going forward.

### The quest for better DNA can improve risk management

INTELLIGENT new risk-management strategies are a key part of the industry’s immediate innovation journey. Companies will likely need to dramatically improve risk-management capabilities amid increased scrutiny and pressure from regulators, as well as from investors, business partners, customers and other stakeholders. This includes the critical question of how businesses, amid rapid change and innovation, organize and manage data oversight and data quality to ensure their data is consistently reliable for future decision-making. Progress on digital and analytics capabilities represent a crucial innovation area here, particularly as data-based decision-making keeps evolving toward automated decision-making via revolutionary cognitive and artificial intelligence technologies.

### Innovative partnerships are contributing to solutions

UNTIL now, investment managers traditionally have been concerned with growing their business and not overly concerned about competitors or new entrants taking away business. But in today’s environment that’s becoming a real concern, as the global CEO survey showed, as technology enables new entrants, like fintech, to quickly build competing offers.

But there is growing potential to forge innovative new partnerships that offer fast, effective, cost-efficient solutions. The fact is that fintechs are infiltrating

the industry to the extent that they are no longer being viewed as competitors to be feared but as potential partners and allies. As things unfold, it’s safe to say that many of them will likely become integrated into existing businesses as the industry increasingly realizes what these players bring to the table.

In many cases, firms are already trying to create partnerships with fintechs that can drive rapid, cost-efficient transformation of traditional industry infrastructures and position organizations for the future.

Despite progress being made by some organizations, however, the industry needs to show a far greater sense of urgency toward innovation and transformation. The longer that organizations take to truly get involved, the further behind they fall. Successful organizations understand the new reality that massive digital change is under way, that the pace of change is going to increase and that they need to become very strategic about innovation now—and quickly—to remain competitive. Those businesses that turn today’s challenges into opportunities can create critical competitive advantages for their future success.

The article was taken from KPMG’s publication, entitled *Act now on innovation as disruption revolutionizes the rules*, by Matt O’Keefe of KPMG Australia and Pascal Denis of KPMG in Luxembourg.

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