Middle East

Point of View

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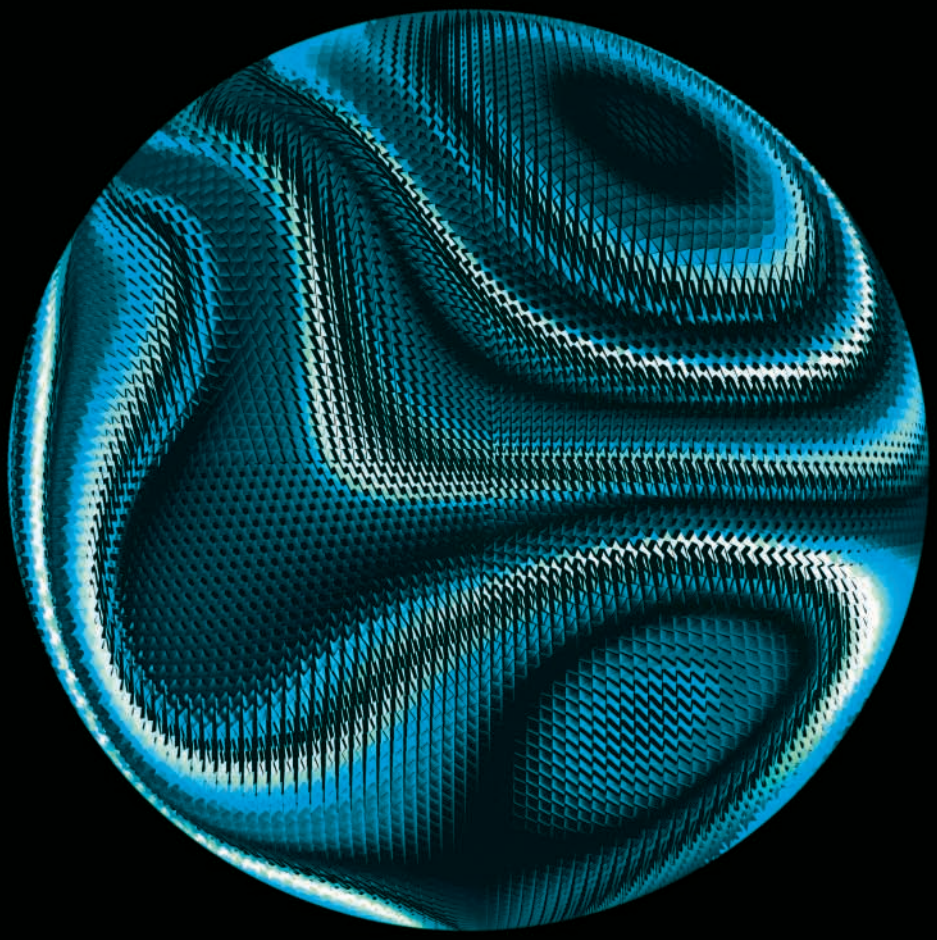
Transform Saudi Arabia



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A word from the editorial team

By this time of year there's a good chance nearly every new year resolution taken in January has failed. There's a reason for that. Change is not easy. It is easy to think of, easy to plan and even easy to do for a short while. But change, transformation, is not easy to maintain. And yet, this is exactly what any organization wishing to thrive, not only survive, the Industry 4.0 economy must do.

The *Harvard Business Review*, as far back as 2009, published an article entitled "Constant Transformation is the New Normal" in which it touted that "Success now requires not just doing it better, but mastering the ability to do it differently." And all the time.

In this new economy, our constant gear must be on forward, there is no neutral, and there is certainly no return. There is no waiting for things to go back as they were. The world of today is already different than that of only yesterday and will be different from that of tomorrow. Adaptation is our constant state of being. Adaptation is the new normal.

Going back is precisely what Salam Awawdeh warns against in his article *To stay or not to stay? The oil and gas industry reforms continuum*. Awadeh says: "With OPEC's decision to raise oil prices, there is the risk of systematic industry reforms being halted [but] reforms must continue (and at a fast pace due to foreseen budget deficits) to help shift and sustain healthier GCC energy economies and deliver on the adjacent national economic plans."

These national economic plans include mega projects that seek to lessen some countries' reliance on energy revenues. One such plan is Saudi Arabia's Vision 2030. According to Martin Cooper: "A key success factor for Saudi Arabia's Vision 2030 will be dependent on whether the kingdom has learnt from previous attempts at economic diversification through other mega projects, such as Riyadh's King Abdullah Financial District (KAFD) and Jeddah's King Abdullah Economic City (KAEC)." In his article *Transform KSA*, Cooper highlights some of these mega projects and the keys to their success.

And as the GCC economies recover with increased oil prices, M&A activity in the region is also expected to increase. Zaid Selman and Khalid Faiq attest that: "If there is one industry that could spur growth in the number of M&A deals in the region, it is technology." In their article *Technology in the GCC: Leading the way and driving value*, they write: "We are witnessing increased digital disruption which will reshape many industries and force companies to think about how they fit in the overall industry ecosystem."

This overall industry ecosystem is the main driver behind *The changing role of compliance* say Hossam Samy and Disha Rustagi. "The pace of regulatory change," they say, "has created a complex environment for compliance leaders across all industries [...] the world of regulatory compliance is always evolving, with requirements constantly multiplying. To ensure adherence to increasingly stringent rules imposed across multiple jurisdictions, banks and financial services companies need to continually calibrate their compliance management function."

Foreign pharmaceutical companies operating in the region are facing their own compliance challenges: taxation. Jan Roderick Van Abbe, in his article *Tax, this is pharma* suggests that "With the further implementation of taxes and tax developments in the region, foreign pharmaceutical companies are advised to develop a tax strategy for the region and review their current operating models to identify areas of potential tax risk."

And in our article from the *Deloitte Review* we discover an industry that is, not only thrilling, but also on the cutting edge of engineering, technology and design. "Formula One teams use nearly every advanced manufacturing technique available, from additive manufacturing to the digital thread. These technologies, in turn, change how the race teams must operate as a company. In short, Formula One race teams are already experiencing today the technological and management shifts that mainline manufacturers will likely see in 5-10 years' time," says Joe Mariani in his article *Racing the future of production*.

So, our advice? Stop resolving to change and actually do it. We show you how in this latest issue of *Middle East Point of View*.

ME PoV editorial team

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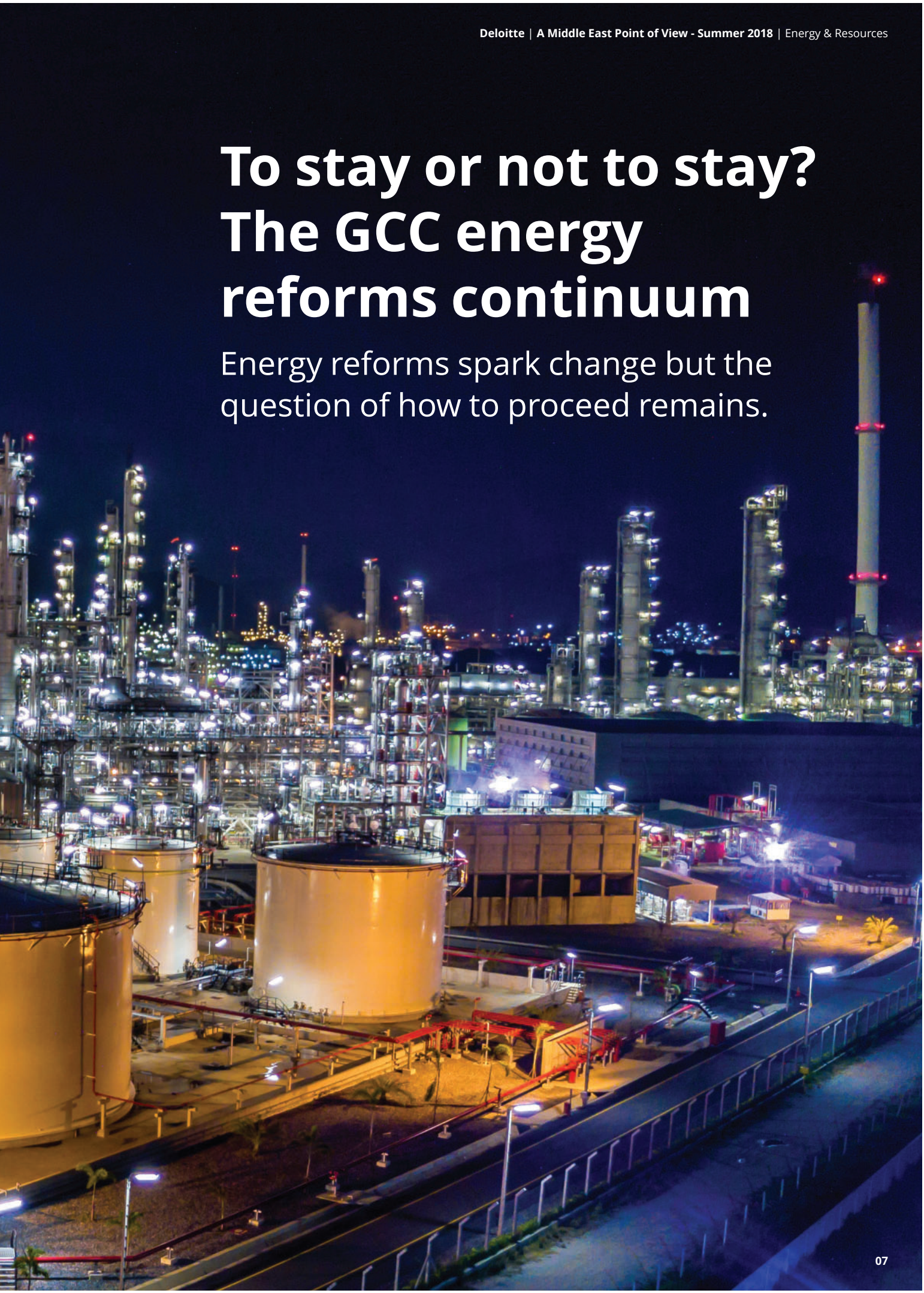
To stay or not to stay? The GCC energy reforms continuum

Energy reforms spark change but the question of how to proceed remains.



The agreement between OPEC and leading oil producers from outside OPEC, particularly Russia, has led to higher prices and reduced a bloated inventory. There are now attempts to organize this agreement to a 10 to 20-year arrangement.

The energy industry plans underway in the Gulf, namely, Dubai Energy Strategy 2030, Oman's Energy Master Plan, the National Transformation Program in Saudi Arabia and Vision 2030, among others, give the impression of significant and undeniable reforms. However, with OPEC's decision to raise oil prices, there is the risk of systematic industry reforms being halted. This is especially true for the energy sector where the heightened urgency for reforms is viewed by many policy makers as a source of discomfort given the scale of change needed over a relatively short period of time. This author argues that reforms must continue (and at a fast pace due to foreseen budget deficits) to help shift and sustain healthier GCC energy economies and deliver on the adjacent national economic plans.

There are now attempts to organize this agreement to a 10 to 20-year arrangement, as per Saudi Crown Prince Mohammed bin Salman.

In Saudi Arabia, the National Oil Company is undergoing a transformational change. One theme that has captured most of the headlines is the plan for the initial public offering (IPO) of 5 percent of Saudi Aramco. Even as the IPO is still in preparation, it has led to a thorough reform of the company's culture and organization.

The Abu Dhabi National Oil Company (ADNOC) has undergone additional transformation under a different restructuring model. The emirate's Supreme Petroleum Council has decided to further diversify its upstream and downstream investments among western partners (the largest oil and gas companies, such as Shell and Exxon Mobil), Japanese buyers and key customers in growth markets such as China, India and South Korea. Markets

Reforms of energy subsidy models were another common step for the Gulf states. Fuel, electricity and water prices have been raised throughout the GCC, although in some cases at very low levels, and still need to move to parity with prices in the global market.

Reforms, yes!

Significant progress has been made so far. The agreement between OPEC and leading oil producers from outside OPEC, particularly Russia, has led to higher prices and reduced a bloated inventory.

have also witnessed ADNOC Distribution, its retail fuel arm, moving quickly to sell 10 percent of its shares in the local market in December 2017.

The sovereign wealth fund Mubadala, a major energy investor, has significantly expanded through its merger with the International Petroleum Investment Company (IPIC) in early 2017, adding a large refining and petrochemical portfolio. In parallel, the Abu Dhabi Investment Council (ADIC) has also become part of the Mubadala group, with a combined portfolio worth over US$200 billion. In March 2018, the Abu Dhabi Water and Electricity Authority (ADWEA) and the Office of Regulation and Control were subsequently merged with ADIC and brought under new management, consolidating three critical utilities arms.

In Kuwait, some major projects eventually offered improvements in the refining sector: a new LNG import terminal and deep sour gas production in northern Kuwait are two examples. BP and Shell have been giving discreet assistance as part of technical services agreements.

Qatar has merged its two gas companies to produce liquefied natural gas (LNG), gain efficiencies and move forward with the resumption of development in the North Field, widely recognized as the world's largest exporter of LNG by early 2020.

Bahrain has just announced a major discovery of crude oil and deep gasses at sea, although actual production will not begin until a few years later.

Reforms of energy subsidy models were another common step for the Gulf states.

All this seems to be a great effort. But rising oil prices have weakened the dire need for reform, with a widespread feeling among policymakers that the worst is over.

Fuel, electricity and water prices have been raised throughout the GCC, although in some cases at very low levels, and still need to move to parity with prices in the global market. Natural gas prices for energy and industry uses have risen in Saudi Arabia, Bahrain and Oman. The Saudi and UAE governments have eased the impact of rising energy bills on low-income Saudi citizens through payments under the Citizen Account, in many ways, similar to the cash aid provided by Iran after energy price increases in 2010.

In Abu Dhabi, small increases were imposed on citizens and the biggest increases were imposed on expatriates. Gas prices are still far from international levels in all GCC countries, except Kuwait. Diesel prices are still heavily subsidized in Saudi Arabia and below global levels in Kuwait, Bahrain and Qatar.

Renewable energy has also been introduced in the UAE and is accelerating elsewhere with 300-megawatt solar power plants in Saudi Arabia, as well as further tenders for 3.3 gigawatts of solar and other energy renewable sources. Similar renewables-focused projects exist in Bahrain, Kuwait and Oman. Solar energy programs have been

implemented on rooftops. Riyadh's 200-gigawatt project plans—with Softbank—have attracted a lot of attention. The gas-rich state of Qatar has so far made little progress in this area.
In the wider GCC economies, a variety of budget cuts were made and new resources introduced to fill the deficit, including a 5 percent VAT in Saudi Arabia and the UAE. Saudi taxes increased on unused land, soft drinks, expatriate residences and their families.

Yes, but...

All this seems to be a great effort. But rising oil prices have weakened the dire need for reform, with a widespread feeling among policymakers that the worst is over. Saudi Arabia's Minister of Energy, Industry and Mineral Resources Khalid Al-Faleh commented that continued production cuts would keep the market "stable," while Brent prices rose from a low of US$45 a barrel in June 2017 to about US$78 a barrel in May of this year. The idea of a long-term OPEC deal involves a strategy aimed at raising prices and limiting production growth in the short- and medium-term, at the expense of losing market share and accelerating the transition to non-oil technologies in the long-term. This makes diversification more urgent. Conversely, if the agreement collapses, or if strong U.S. shale oil growth continues, or a global economic slowdown occurs, it could lead to increased supply in the market, driving a decline in recent price gains and thus giving new impetus for reform.

The GCC–including Bahrain and Oman, which do not have large oil reserves–has faced debt-raising challenges. In the face of stagnation in the non-oil economy and purported public resentment, Saudi Arabia has benefited from recent gains in oil prices, Saudi Arabia has loosened its austerity program, recouped bonuses, reduced salary cuts and made one-off payments to Saudi students abroad, costing the budget approximately US$13 billion. The plan to balance the budget from 2020 to 2023 has been postponed. It requires oil production of 11.03 million barrels per day and oil prices to reach US$75 per barrel.

It is not clear how these figures are consistent with the continued commitment to restrain OPEC, the agreement with non-OPEC countries, or the potential impact of rising prices on global demand and competition for supply.

Further privatization and encouragement of small and medium enterprises and international arrivals would reduce the GCC countries' vulnerability to energy and commodity price fluctuations while boosting private sector production and job creation.

Kuwait and Oman have provided extensive lists of privatizations, including refining, petrochemicals, drilling, oil field services, fuel trading and power generation, and it is this author's view that they need to act on them. Similarly, it would be beneficial for Saudi Arabia to move ahead with its plans to split the Saudi Electricity Company and sell it to local companies.

Other energy-intensive or extractive industries, such as petrochemicals, steel, cement, aluminum and mining, continued to expand, sometimes reaching more sophisticated products, but they still largely depend on state support and often described as quasi-government in terms of their organizational agility. Further privatization and encouragement of small and medium enterprises and international arrivals would reduce the GCC countries' vulnerability to energy and commodity price fluctuations while boosting private sector production and job creation.

To bear the fruits in full, reforms must be viewed as a perpetual, fast-paced effort across policy making, planning, and executive branches. The downside for potential disruption of the current effort is likely to carry unbearable costs to fiscal budgets and deceleration in attracting private sector investment. Higher oil prices, coupled with the expedited continuum of reforms, will undoubtedly reinforce a faster shift to non-oil based revenue and boost delivery on industrialization plans.

by **Salam Awawdeh**, Partner, Consulting, Energy & Resources Leader, Deloitte Middle East

To bear the fruits in full, reforms must be viewed as a perpetual, fast-paced effort across policy making, planning, and executive branches. The downside for potential disruption of the current effort is likely to carry unbearable costs to fiscal budgets and deceleration in attracting private sector investment.

Transform KSA

Saudi Arabia's Vision 2030

Saudi Arabia has unveiled a number of mega projects to help transform the kingdom's economy, including Neom, a city of the future on the Red Sea coast with a total investment requirement of US$500bn, and Al Qiddiya, a 334 sq.km. entertainment district in Riyadh. Their success depends much on whether the kingdom has learnt from previous attempts at economic diversification through other mega projects such as Riyadh's King Abdullah Financial District (KAFD) and Jeddah's King Abdullah Economic City (KAEC).

The target for the economic diversification of Saudi Arabia is to increase the non-oil sector's contribution to GDP from 58 percent in 2016 towards a regional benchmark of 69 percent by 2020.

The need: Stimulate economic growth and create jobs

Saudi Arabia's Vision 2030 sets out an ambitious economic development roadmap that seeks to diversify the kingdom's economy beyond the oil sector. It aims to attract foreign investment, stimulate economic growth, create the jobs needed to employ the kingdom's rapidly growing labor force and develop a more resilient economy.

Data from the Economist Intelligence Unit (EIU) shows that the oil industry still contributes over 40 percent of Saudi Arabia's Gross Domestic Product (GDP). As such, oil price declines earlier this decade–from a high of US$115 per barrel in June 2014 to a low of US$29 per barrel in January 2016–led to a substantial slowdown in the kingdom's economy. Real GDP growth in Saudi Arabia declined from 3.7 percent in 2014 to -0.7 percent in 2017. Although oil prices continued to recover in 2018–to over US$70 per barrel in April–they are well below the highs reached earlier this decade. Subdued oil prices continue to act as a drag on the kingdom's economy, with the EIU forecasting that real GDP growth in Saudi Arabia will be 1.0 percent in 2018 and 2.0 percent in 2019.

The focus: Economic diversification

Saudi Arabia's Vision 2030 program is being led by Mohammad Bin Salman Bin Abdulaziz Al-Saud, Crown Prince and Chairman of the Council of Economic and Development Affairs. An ambitious economic development roadmap, Vision 2030 will be delivered through the National Transformation Program (NTP). The NTP has set out a series of interim goals to be achieved by 2020 that include the creation of over 450,000 jobs in the non-government sector and the strengthening of partnerships with the private sector to increase the private sector's contribution to GDP. The target for the economic diversification of Saudi Arabia is to increase the non-oil sector's contribution to GDP from 58 percent in 2016 towards a regional benchmark of 69 percent by 2020.

A key focus of Al Qiddiya is to create jobs in Saudi Arabia's tourism and hospitality sectors while at the same time enhancing the leisure infrastructure in the Kingdom.

The vision: Key projects

A number of major infrastructure projects are being delivered through Vision 2030, many of which are being led by the Public Investment Fund (PIF). Below is a summary of two of these projects, Neom and Al Qiddiya.

The city of Neom is one of the major transformational projects being delivered by Saudi Arabia. With a land area of 26,500 sq.km., Neom will be located in the Northwest region of the country on the Red Sea coast. A combination of the Greek for new (neo) and the Arabic for future (mostaqbal), Neom has been designed to create jobs in a diverse range of growth industries that include new and renewable energy, mobility, biotech, technological and digital sciences, advanced manufacturing, media and entertainment. Japan's Softbank intends to invest in what will become the world's largest solar plant at Neom as well as a major tech fund in the city. Although the project is in the early stages of development, total funding requirements for Neom are estimated at approximately US$500bn.

A key success factor for Saudi Arabia's Vision 2030 will be dependent on whether the Kingdom has learnt from previous attempts at economic diversification through other mega projects.

Al Qiddiya is another major transformational project being delivered. Located approximately 40km southwest of Riyadh, Al Qiddiya will be an entertainment district that will include theme parks, water parks, motor sports, cultural and heritage events, hotel resorts, retail and residential development across 334 sq.km. of land. Al Qiddiya aims to capture demand from Saudi Arabian tourists who currently spend their tourism Riyals in Dubai, Abu Dhabi, Oman and elsewhere in the Gulf, in addition to attracting international tourists from across the region. A key focus of Al Qiddiya is to create jobs in Saudi Arabia's tourism and hospitality sectors while at the same time enhancing the leisure infrastructure in the Kingdom.

Conclusion

A key success factor for Saudi Arabia's Vision 2030 will be dependent on whether the Kingdom has learnt from previous attempts at economic diversification through other mega projects, such as Riyadh's King Abdullah Financial District (KAFD) and Jeddah's King Abdullah Economic City (KAEC). Changing market dynamics, global economic challenges and, in certain cases, a lack of alignment with immediate market requirements meant that many of these projects did not reach their full potential with regard to attracting the investment and creating the businesses and the jobs they were slated to do.

To succeed this time around, Saudi Arabia needs to scale and phase the planned mega projects in line with anticipated market demand, clearly differentiate the offer from current and planned competing schemes in the region and build a legal and regulatory environment that enables the foreign investment required to deliver these projects.

by **Martin Cooper**, Director, Financial Advisory, Deloitte Middle East

Technology in the GCC

Leading the way and driving value

Within the last five years, the technology marketplace in the GCC, and the UAE in particular, has grown and evolved from a highly fragmented market of resellers, consulting and systems integration service firms, to an ecosystem of product, service and solution providers offering artificial intelligence, data analytics and smart solutions, to name a few.

The GCC economies are expected to lead the Middle East and North Africa (MENA) region's economic growth in 2018 and 2019 through large-scale infrastructure investment–such as the Expo 2020 in the UAE and Al Qiddiya, Red Sea and Neom projects in Saudi Arabia–and other reforms designed to promote non-oil sector activity. The GCC region's economic growth is forecast to increase 2 percent in 2018 from 0.7 percent in the previous year, as per the World Bank. As the GCC economic recovery builds momentum in 2018, mergers and acquisitions (M&A) activity in the region is also expected to increase. And if there is one industry that could spur growth in the number of M&A deals in the region, it is technology.

Within the last five years, the technology marketplace in the GCC, and the UAE in particular, has grown and evolved from a highly fragmented market of resellers, consulting and systems integration service firms, to an ecosystem of product, service and solution providers offering artificial intelligence, data analytics and smart solutions, to name a few.

According to research company Mergermarket, there have been approximately 40 technology-related transactions in the Middle East region between 2015 to 2017 with software, internet service providers, telecommunication services and online commerce platforms being the main acquisition targets. There appears to be common themes developing as to the nature of the target businesses and those that drive value. We have set out four of these themes below.

Strong customer service and consulting capabilities

In a sector that is fiercely competitive, building strong customer relationships is of paramount importance. Successful technology companies place customer service and support central to everything they do, guiding them through an ever increasingly complex technology environment, helping them derive the most value from their IT investments. In adopting a service-oriented approach, they are able to change the dynamics of their relationship from supplier to trusted advisor, helping them to build the basis of a long-term relationship and a more sustainable and robust business model going forward.

Technology companies realize that offering advisory services effectively can help forge strong client connections based on strategic advice rather than a transactional relationship, though it requires a different operating model and organizational capabilities than a product or delivery-focused business that many companies have found time-consuming and challenging to implement.

Industry- or function-oriented solutions in markets where there is proven demand

Hardware and common IT services are becoming increasingly commoditized. Investors are increasingly looking for firms with a strong value proposition in the form of a strategic product or solution that meets the specific niche requirements of an industry or sector.

Being positioned in the market as a generalist or low-value reseller is

becoming less viable; focus and specialization are becoming key. The GCC market increasingly requires more sophisticated solutions, with dual language support (English and Arabic), tailored to the specific requirements of the Gulf region.

Companies that focus on building customized solutions, leveraging industry best practices and mature technology platforms, but suited to the requirements of the Gulf client base, could see revenue growth and an increase in enterprise value. Over time, and with an increasingly larger customer install base, these solutions may become more functionally rich and mature, potentially driving value and attracting potential investors.

In contrast, those companies that do not have a clear market or sector focus, or take a more opportunistic approach to sales growth, are facing greater challenges as the GCC market continues to develop.

Complementary services

It is common for acquirers of technology companies to look for firms that complement their existing portfolio of products and services, potentially increasing the value of their offerings by making them either more comprehensive, or better suited, to the specific requirements of a particular function, sector or industry.

Prospective acquisition targets with margins broadly similar to, or higher than, that of the acquirer might be perceived as more attractive, other things being equal.

Companies that focus on building customized solutions, leveraging industry best practices and mature technology platforms, but suited to the requirements of the Gulf client base, could see revenue growth and an increase in enterprise value.

In certain instances, a prospective acquirer may make a strategic investment for the purpose of:

- Acquiring a specific technology or set of capabilities;
- Leveraging the target's customer base to upsell/cross-sell their products; or
- Injecting new talent into the organization as part of a broader transformational or repositioning exercise.

For the most part, organizations grow through evolution rather than revolution, the former being easier and more likely to lead to growth.

A focus on depth of vendor relationships over breadth

Today, being a generalist product or service provider is harder to sustain. Technology companies that choose to work with third-party vendors are likely valued by strategic acquirers based on the depth of their vendor relationships and knowledge of their products and

Corporates and investors are taking an active interest in digital disruption, which is driving a fundamental rethink of business models and has dramatically reshaped the competitive landscape for many industries.

services, rather than breadth. While having multiple vendors is still recommended to ensure the company is never too dependent on revenues from a single vendor, GCC technology firms could focus more on relationships that will assist the business in building a deeper area of expertise in a selection of industries and functions, rather than the generalist approach. Acquirers increasingly ask how do these companies add value and how defensible are their offerings in the market?

The next wave of M&A growth

Corporates and investors are taking an active interest in digital disruption, which is driving a fundamental rethink of business models and has dramatically reshaped the competitive landscape for many industries.

Given the rapid pace of technology change, three questions for prospective acquirers are likely to be:

1. How will this acquisition add value in an environment where digital disruption continually changes market dynamics?
2. Does this acquisition complement our existing business(es)?
3. Is this a strategic long-term investment, a short-term tactical move or merely a distraction?

Measuring value in technology transactions

The traditional way of measuring value is to assess the impact on cash flows for customer service and consulting capabilities, market niche, solution strength, complementary service offerings and vendor relationships. Each should translate into cash flows if they have any merit.

This approach may be applicable to a relatively mature technology business but may not be suited for businesses with a pipeline of software solutions that have yet to be market-tested and not revenue-generating. Any cash flow-based valuation would require robust financial forecasts which, given the nature of some solutions, will contain subjective inputs. It has been reported that financial forecasts in technology tend to exhibit a high bias (i.e. optimism) perhaps due to the rapid pace of development in the sector.[1]

From an appraiser's point of view, it becomes very important to objectively understand the subject business and each of the products/technology solutions in the portfolio. This would include the following:

- What is being sold? Is it hardware consisting of installation and after-sales support or a comprehensive bespoke solution that generates competitive advantage?
- Is it a transactional or relationship-based business?

One approach to help ascertain the value of such a business is the development of an evaluation scorecard with the objective to assess the strengths of their product and service portfolio. The key focus areas may include the following:

- Product/service demand drivers.
- Market potential (size, growth rate and degree of competition).
- Product/service alignment with firm strategic objectives.
- Product status (applicable for early-stage software solutions).
- Strengths and relevance of technologies used.
- Experience of product management teams.

- Product roll-out plan and market penetration strategy.
- Future funding and resource requirements.

Based on the above criteria, a composite rating may be generated for each of the products based on the strength of product offering and market attractiveness. Subsequently, using the discounted cash flow methodology, the value contributed by each product and service may be broadly calculated, adopting a consistent approach. The value of the business may be estimated with regard to the sum of the value of the product and service portfolio.[2]

To make the valuation process robust, any such analysis may be supported with crosschecks using market-based valuation approaches. This may include M&A transactions of companies selling software solutions (or related businesses), and comparable listed companies together with their composite ratings.

Summary

M&A is becoming a more common approach for businesses to be able to provide a solution for specialized technologies, tools and capabilities.

Technology companies that focus on one or more of the strategic drivers discussed could secure higher enterprise valuations and succeed in the increasingly competitive IT services and solutions market in the GCC. That being said, we are witnessing increased digital disruption which will reshape many industries and force companies to think about how they fit in the overall industry ecosystem.

Technology companies that focus on one or more of the strategic drivers discussed could secure higher enterprise valuations and succeed in the increasingly competitive IT services and solutions market in the GCC.

by **Zaid Selman**, Assistant Director, and **Khalid Faiq**, Assistant Director, Financial Advisory, Deloitte Middle East

Endnotes

1. 'Bias in European Analysts' Earnings Forecasts' by Stan Beckers, Michael Steliaros, and Alexander Thomson published in 2004 as part of the Financial Analysts Journal
2. Special considerations may be required from case to case for overhead and head office management costs.

The changing role of compliance

Organizations are realizing that business and operational value, such as better quality data and an improved customer experience, can be derived from anticipating risks and meeting regulatory requirements, making compliance an increasingly integrated part of the business investment strategy.

Organizations today are challenged to address a confluence of regulatory and business changes that are putting new demands on compliance. The pace of regulatory change, convergence in global regulation, and competition from new market entrants–that is driving increased consumer and technology demands–have created a complex environment for compliance leaders across all industries. With compliance now at a tipping point, the role of the Chief Compliance Officer (CCO) in the Middle East has gained more prominence and is evolving rapidly.

Adding to the challenge is the risk of reputational damage and significant financial penalties that frequently accompany compliance failures. Compliance costs and inherent risks have dictated significant changes in product offerings and business operations for some organizations and many are now viewing compliance more as an investment than a cost. Organizations are realizing that business and operational value, such as better quality data and an improved customer experience, can be derived from anticipating risks and meeting regulatory requirements, making compliance an increasingly integrated part of the business investment strategy.

The fact is that the world of regulatory compliance is always evolving, with requirements constantly multiplying. To ensure adherence to increasingly stringent rules imposed across multiple jurisdictions, banks and financial services companies need to continually calibrate their compliance management function.

The role of the CCO

A Chief Compliance Officer (CCO) sits at the center of a compliance framework that demands the ability to work across functions and provides an opportunity to look at the breadth of risks facing their organization. Compliance should ideally be integrated across the business and be positioned to contribute to business decisions and adapt to the changing business and regulatory environment. With greater integration compliance leaders can take immediate steps to enhance compliance effectiveness, efficiency, and sustainability.

Compliance officers have been tasked with an increasing number of responsibilities and have exceeded expectations in many areas.

Some of the common challenges CCOs face today include:

- **Compliance landscaping**
  Organizations that operate across a country or in multiple countries may not have an inventory of all the obligations they are supposed to comply with. Regulations change as companies grow, there is a plethora of obligations to comply with that get missed on occasion. There is a large number of federal, local, or global compliance obligations related to Corporate, Secretarial, HR, Fiscal, IT, HSE and Industry laws that make it difficult for organizations to comply with all of them consistently for a sustained period. Compliance obligations include one-time, event-based, ongoing, licenses, filings and statutory dues that need to be tracked and acted upon in a timely manner.

- **Inconsistency in understanding/ interpretation of compliance requirements**
  Many laws/regulations are complex to understand and may have multiple interpretations. In the absence of expert advice, organizations may make incorrect decisions that can result in heavy fines/penalties. For instance, the recently launched VAT regulations in the UAE may be interpreted in different ways and can lead to non-compliance, due to lack of understanding or interpretation.

- **Compliance ownership**
  Ambiguity with respect to the ownership of certain compliance obligations is a very common challenge faced by all sectors and can expose organizations to the risk of non-compliance due to lack of ownership. Many times, due to not having a centralized responsibility tracker, some compliance obligations get missed as a result of the lack of ownership or accountability. Leading organizations that are running effective compliance programs define responsibilities and Key Performance Indicators that help control such risks.

- **Compliance reporting**
  With multiple locations and multiple compliance requirements, it becomes increasingly difficult for organizations to monitor compliance and report to top management on a day-to-day basis using manual processes, which may lead to incorrect decision-making.

- **Continuous monitoring**
  Most organizations think of compliance as a one-time activity, whereas in today's environment, where laws and regulations are changing every day, and organizations are expanding operations in new geographies or diversifying business in other different industries, the compliance landscape becomes very dynamic in nature. Therefore, organizations need to develop a model that is agile enough to respond to these changes.

The fact is that the world of regulatory compliance is always evolving, with requirements constantly multiplying. To ensure adherence to increasingly stringent rules imposed across multiple jurisdictions, banks and financial services companies need to continually calibrate their compliance management function.

In today's age of accelerating regulation and scrutiny, leading organizations understand that the human and financial capital required to build a strong corporate governance infrastructure can be turned into long-term investment that can create value and contribute to the bottom line.

Development and automation of a compliance framework significantly speeds up the internal processes across businesses and locations by providing senior management with a one-stop view of the organization's compliance status through comprehensive compliance dashboards and reports.

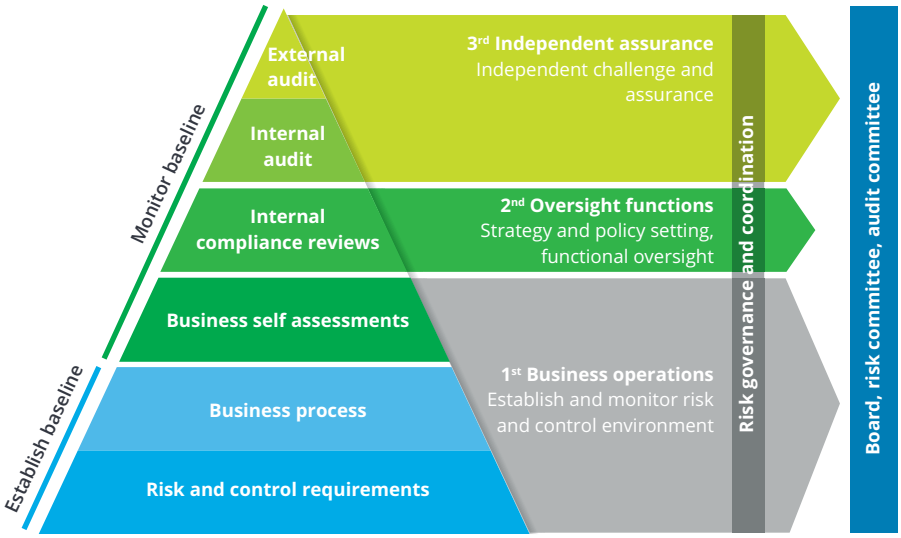
Compliance framework

A framework for compliance encompasses multiple components that drive prevention, detection and response across the three lines of defense. In a compliance framework, the business process owners are the first line of defense, compliance and centralized risk management functions are the second line of defense, and internal audit is the third line.

Each line of defense plays an important role in the organization's overall compliance framework and governance.

The three lines of defense model aids organizations in promoting compliance agility, identifying emerging risks, and clarifying the compliance program's strengths and weaknesses.

In today's age of accelerating regulation and scrutiny, leading organizations understand that the human and financial capital required to build a strong corporate governance infrastructure can be turned into long-term investment that can create value and contribute to the bottom line.



Key industry concerns

- **Are there any benchmark standards to be referred to while designing the compliance program?**
  One of the leading and most commonly adopted standards in Compliance is ISO 19600:2014 Compliance Management Systems. ISO 19600 is an international standard that has incorporated a high-level structure developed by ISO to improve alignment among its International Standards for management systems. In addition to its generic guidance on a compliance management system, this International Standard also provides a framework to assist in the implementation of specific compliance related requirements in any management system.

  Organizations that have not adopted management system standards or a compliance management framework can easily adopt this International Standard as a stand-alone guidance within their organization.

  This International Standard is suitable to enhance the compliance-related requirements in other management systems and to assist an organization in improving the overall management of all its compliance obligations.

- **How to ensure 100 percent comprehensiveness?**
  The organization should systematically identify its compliance obligations and their implications for its activities, products and services. The organization should take these obligations into account when establishing, developing, implementing, evaluating, maintaining and improving its compliance management system.

The organization should document its compliance obligations in a manner that is appropriate to its size, complexity, structure and operations. The compliance landscape is dynamic. It is critical to continuously monitor the impact of any compliance obligations triggering changes in the internal/external environment in order to keep the inventory comprehensive and updated at all times.

- **Are there any sources in the region that we can refer to while building the repository?**
  It is difficult to get all the updates under one umbrella and so it is important for every organization to maintain its own tracker of sources of compliance obligations that are relevant to their industry and business. Some examples of these sources can be monitoring the websites of regulators, being on the mailing lists of relevant regulators and membership to professional groups.

Key questions to ask yourself

- Do you know the extent of legal compliance across your operations?
- Are you aware of the latest developments as they arise?
- Is your compliance reporting proactive and real time?
- Do you have a compliance mechanism that can withstand regulatory scrutiny?
- Have you experienced any recent compliance failures? Do you know?

Conclusion

While there is no one-size-fits-all approach to a compliance structure, organizations that fully understand their organizational regulatory requirements, including emerging regulatory changes and challenges, history, people, technology, control coverage and risks are well positioned to assess if changes to the program infrastructure would be required to keep pace with the dynamic environment.

by **Hossam Samy**, Principal, and **Disha Rustagi**, Manager, Risk Advisory, Deloitte Middle East

The compliance landscape is dynamic. It is critical to continuously monitor the impact of any compliance obligations triggering changes in the internal/external environment in order to keep the inventory comprehensive and updated at all times.

Tax, this is pharma

Pharma, meet tax

Pharmaceutical companies, in many instances, either have to enter into joint venture arrangements or outsource their operations to third parties in order to conduct business operations in such markets.

The pharmaceutical market in the Middle East, and in particular in the United Arab Emirates (UAE), is expected to grow significantly over the next couple of years especially with the UAE quickly gaining popularity as a medical tourism destination. While foreign pharmaceutical companies have recognized the potential of certain markets in the Middle East, their legal, as well as physical, footprint in the region remains comparatively light.

Common operating models

Very rarely do foreign pharmaceutical companies manufacture their own products in the Middle East, though some do outsource certain manufacturing/packaging operations locally under manufacturing arrangements.[1] Foreign pharmaceutical companies may maintain, or own, a trading/logistics hub in the region (e.g. in a free zone such as Jebel Ali or KIZAD) though rarely do they have their own distribution channels or entities in the destination markets and instead typically rely on third-party distributors to service local markets. To provide on-ground support and due to other regulatory reasons, foreign pharmaceutical companies maintain representative/scientific offices in the local markets with regional headquarter functions generally performed in the UAE.

The reason for the relatively light footprint is manifold. For one, the regulatory environment, notably protective measures such as foreign investment limitations, prevent foreigners to set up wholly owned companies in some Middle Eastern countries. In the UAE for example, foreign investors can only hold up to 49 percent of their businesses outside of the free zones. Within the free zones, where they are allowed full ownership, they are restricted in their ability to do business on the mainland. The UAE government has decided that it will remove these restrictions, although specific details have yet to be released. On another hand, branches of foreign legal entities are sometimes limited in their business scope and may not be permitted to perform trading activities in certain markets.

Against this background, pharmaceutical companies, in many instances, either have to enter into joint venture arrangements or outsource their operations to third parties in order to conduct business operations in such markets. Both options bring their own inherent challenges.

Manufacturing side

The foreign pharmaceutical companies that do maintain their own manufacturing facilities in the region, operate in the UAE. We understand that there is an increased pressure from local governments to produce locally and meet local content requirements in order to be granted access to public tenders. Certain manufacturing operations are outsourced and performed locally in the destination markets under respective toll/contract manufacturing arrangements. However, such arrangements may pose challenges in practice and should be carefully reviewed.

Pharmaceutical companies entering into toll manufacturing arrangements[2] on a cross-border basis may be particularly exposed to a set of challenges. In a number of Middle Easters countries, foreign entities are prohibited from trading or owning goods in said country unless they are duly licensed and

registered with the competent authorities. Likewise, such arrangements may put pharmaceutical companies at risk from a tax perspective as they could be deemed to have created a permanent establishment and become taxable on any trading gains.[3] The foreign companies may further be considered as making domestic supplies leading to a VAT registration and filing requirement. The disconnect between the ownership and legal/beneficial title to the goods (lack of beneficial ownership) can lead to issues such as non-recoverability of VAT on imports.[4] The manufacturer as the importer may also be viewed as making inaccurate representations to the customs office.

Distribution side

In the absence of having their own distribution companies, pharmaceutical companies commonly rely on a network of third-party distributors. Pharmaceutical companies try to exert some level of control/supervision over the distributor (e.g. through the assignment of staff). From a tax perspective, such control and dependencies can be harmful and potentially trigger a local tax exposure for the foreign supplier. Some of the structures and distribution relationships had been put in place many years ago and may not have kept pace with international tax developments that are now gaining significant traction within the region as well.[5]

A common approach adopted by pharmaceutical companies to provide on-ground support is to maintain representative/scientific offices in the destination markets. Strictly speaking, the business scope of such structures is typically confined to promotional activities only. On this basis such structures are generally exempt from income tax. In reality and over time, however, the operations of such establishments have been (unintentionally) expanded and may have crossed the line potentially triggering an income tax exposure by creating a taxable presence. In an ever-changing tax environment locally as well as globally, it is likely that some of the structures will be subject to regulatory scrutiny.

A common approach adopted by pharmaceutical companies to provide on-ground support is to maintain representative/scientific offices in the destination markets.

Outlook

The trend of removing some of the barriers, especially in terms of investment restrictions, will give the pharmaceutical companies the opportunity to further expand in the region and reorganize some of the local operations and get a better grip over some of the potential tax challenges. With the further implementation of taxes and tax developments in the region, foreign pharmaceutical companies are advised to develop a tax strategy for the region and review their current operating models to identify areas of potential tax risk.

by **Jan Roderick Van Abbe**, Senior Manager, Tax, Deloitte Middle East

Endnotes

1. There are two models which are commonly used: Toll manufacturing and contract manufacturing. While they are similar, there are some subtle differences. One key distinction between the two manufacturing models relates to the ownership of the goods. Under the toll manufacturing model, the principal contractually holds title to the goods.
2. Similar considerations may apply to consignment arrangements.
3. Under KSA domestic tax legislation for example, holding stock in KSA by a non-resident company constitutes a permanent establishment which would trigger a corporate tax filing obligation. Availing protection from taxation under double taxation agreements may be challenging in some of the Middle Eastern countries.
4. We note that qualifying medical supplies may not be subject to import duties and VAT. In the UAE, as per the Cabinet Decision No. 56 on Medications and Medical Equipment, the supply of all medications and medical equipment registered with the Ministry of Health and Prevention shall be subject to VAT at a zero-rate.
5. The UAE has joined the OECD Inclusive Framework on Base Erosion and Profit Shifting on 16 May, 2018.

Racing the future of production

A conversation with Simon Roberts

We have a two-week mandatory shutdown in August, and really from that point on, we start having to split our activities in two between keeping the current car running and competitive and starting to think about next year.

Carbon fiber, titanium, and rubber hurtle around a racetrack at nearly 200 miles per hour. Engines roar and fans cheer as drivers throw their cars into every corner. Formula One racing is not only among the most exciting sports on the planet, but also perhaps the most technologically advanced. Every car is a symphony of advanced materials and novel design. Yet the real excitement starts well before the crowds and champagne of race day, and far away from the track.

It all begins with the hundreds of designers, manufacturers, and support staff that make up the race teams, which in reality are mid-sized manufacturing companies. But these race teams are not merely typical manufacturers. In an effort to shave every ounce of weight from the car, every tenth of a second from lap times, Formula One teams use nearly every advanced manufacturing technique available, from additive manufacturing to the digital thread. These technologies, in turn, change how the race teams must operate as a company. In short, Formula One race teams are already experiencing today the technological and management shifts that mainline manufacturers will likely see in 5–10 years' time.

To get a glimpse into that potential future and the fast-paced world of Formula One racing, we sat down with Simon Roberts, the chief operating officer of McLaren Racing. The interview was conducted by Joe Mariani, a research manager with Deloitte's Center for Integrated Research.

Pushing the boundaries of the possible

Joe Mariani: At its core, McLaren Racing seems to be a car manufacturer. I am sure we all have a picture of how cars come together, likely black-and-white images of a Henry Ford assembly line. Can you give us a quick overview of the design and manufacturing cycle that you go through every year to pull these cars together?

A quick guide to Formula One

History: Formula One is the highest class of single-seat auto racing sanctioned by the Fédération Internationale de l'Automobile (FIA). While Grand Prix racing began in 1906, the inaugural FIA Formula One World Championship was held in 1950.

Rules: The "formula" in Formula One refers to the set of technical and sporting regulations all cars must meet, determining vehicle size, engine performance, and safety standards. Teams have leeway to innovate within these rules, and the effort to gain milliseconds has resulted in the creation of technologies that are now standard on passenger vehicles, including disc and anti-lock brakes, rear spoilers, semi-automatic gearboxes, advanced engine monitoring, all-wheel drive, and electronic stability control.

Races: The most recent season comprised 20 Grands Prix, starting in March 2017 in Australia and ending in Abu Dhabi in November.
Performance: Current Formula One cars feature:

- 1.6 liter V6 turbocharged engines, limited to 15,000 RPMs. While teams do not disclose horsepower data, the engines are believed to produce as much as 1,000 brake horsepower
- A minimum weight of 722 kilograms (1,592 pounds)
- Top speeds in excess of 330 kilometers per hour (205 miles per hour)
- Ability to go from 0 to 60 mph (0-100 kph) in less than 2 seconds—and stop again almost as quickly

The power and downforce of the cars mean drivers can experience lateral loads of as much as 6G (six times the force of gravity) while cornering—similar to fighter pilots.

Simon Roberts: Compared to most automotive industries, we do to ourselves every year what most big automotive companies will do every three to five years. We start designing our cars in March with the longest lead activities, which is the gear box. As the year goes on, we end up with draft regulations around August, and that is when we start laying out the chassis for the car based on whatever our research has been doing and where we think the sport is going so that we can be competitive for the next year.

Mariani: But March is also the beginning of the race season. So are you designing the next car even before the current car is finished racing?

Roberts: Yes, we have a two-week mandatory shutdown in August, and really from that point on, we start having to split our activities in two between keeping the current car running and competitive and starting to think about next year. So right now, in early October, we are probably 50/50 in the design office and engineering. Obviously we race until the end of November, and we start the ordering long lead time parts to fill inventory from November onwards. From those two points on, then, it is basically a rush to get everything designed and released, hopefully, in time for Christmas. That is normally about 16,000 components that have to be designed and then manufactured for the new car. Then, at the end of January, we build the first car.

So it is a fairly short lead time. We will pre-book capacity both internally and externally, and that will all come together on an hour-by-hour basis just before we launch the car. It is quite normal for us to literally only have a finished car in the few hours before the launch event.

Mariani: That is fascinating, especially the comparison to a main line car company that may slowly design and build many thousands of cars, where you must very rapidly build a small number of cars.

Roberts: Yes, we only ever build four chassis, and there are only ever two fully built cars that will race. The other thing is that we never really stop. Once we have built the car and start testing and racing it, we change the car about once every 10 minutes. Every 10 minutes we get a new CAD drawing out. That is a kind of relentless upgrade of everything. Normal carryover from year to year of about 3–10 percent is typical. But by the time we get to the end of the year, it is about 0 percent. The entire car is new. It is just a rapidly changing environment really, meaning we are only ever committing to small batches of things. A batch of four to six is a fairly typical manufacturing run, because by the time we have made six front wings, we have changed the design and are doing something else.

Once we have built the car and start testing it and racing it, we change the car about once every 10 minutes.

Mariani: When you are making these parts and fitting them together on such astronomically tight timelines, how do you ensure that everything is up to quality standards?

Roberts: Every part we make or buy is loaded to a work order, so we have full traceability. All the material and all of the

inspections are tracked against the individual part number in the work order. We can trace right back to the mill where we get the metal from, and we can see who loaded the blank onto the machine, when it was loaded, when the part came off, when it went to inspection, and heat treatments, certificates, or checks that were done on it right down to the finished product.

Mariani: I suppose that lifing process—where you can determine the useful life span for each individual part—does not end when they are entered into the system, but continues with the data actually gathered as the race car is driving?

Roberts: Yes, we have got these tiny little RFID chips. On carbon parts, we laminate them in under the skin. They are so small you can't even see them. On metallic parts, where we can, we attach them with a glue/resin system. But they are so small we can fit them inside bolt heads. So once we have issued the parts, we scan them so that it takes out all the human error of typing the life codes of part numbers.

The odd thing is that we do not sell anything in general terms. Everything we make is for our own race cars. So we don't ever have a sales transaction. In fact, our two race cars are actually stock locations on the system. So if you sat and watched our stock system on a race weekend, you can actually see parts booking onto the car or off of the car as mechanics make changes at the track. That also auto-records mileage, the number of starts, the time that part has been on a car to make sure that no part exceeds its life span or design limits. It is a bit like aircraft from that point of view. We are lifing at the level an aircraft does.

Mariani: Tracking the individual location and life span of each of 16,000 parts seems like an incredible amount of detailed data. How do you bring together all of those parts and all of that data into one small car and make it work at peak performance?

We probably run 50,000 simulations just to get our heads in the game and figure out what we need to do.

Roberts: Where to start? Even before we get to the race track, we are running simulations. We are running simulations now for Japan, for example. We have a pretty sophisticated Monte Carlo simulation which has all the data we can find for every driver and for every team, what has happened at that event in the past, everything you can imagine. We probably run 50,000 simulations just to get our heads in the game and figure out what we need to do. That is just for a pure race strategy point of view.

In terms of the car itself, we are also running very sophisticated [digital twin] models of the race car. We are testing all of the parameters we can think of for the car—all the latest upgrades, all the

suspension variables—they're all dialed into the computer. We then use that data in a driver-in-the-loop simulator, which is the ultimate test for us. That is one of the reasons why we think when we turn up at a track on a Friday, we always look slightly better in the first practice session than everyone around us.

Adapting advanced technologies to real-world needs

Mariani: In manufacturing, it seems like we often have the idea that new technology will simply replace human workers. But even amidst so much advanced technology, many of your processes still have strong manual components. Have you noticed a shift in what you ask of your workers?

Roberts: So what we notice is—because we are rushing—our work instructions to our people are very high-level compared to what you would see in an automotive or aircraft industry production facility. What we only recently realized is that it's OK, and that we actually rely a huge amount on the profound knowledge in all of our employees. We used to take it for granted, and the big thing that has changed is that we no longer take it for granted. So if they find something difficult or if we have got something wrong or if things have not worked out as expected, we really need to take notice of that.

Mariani: So much of the success of the race team seems to be about balancing high technology with the very human needs of workers. Our recent research[1] is pointing towards the fact that the greatest productivity comes when humans and machines are working together to do what neither could do alone. How do you strike that balance or find the right mix of human-machine teaming?

Roberts: It varies. On the composite side, which is all the carbon fiber, chassis, body work, wings, etc., it is a fairly manual process. Our carbon molds are still handmade. We don't have any automated tape laying or laying of cloth. But we do use technology where we can. We use lasers on all the large components—chassis, front wings, rear wings, gear cases—to validate layout and dimensions. We can't afford to finish a chassis after eight weeks of laminating and discover that the third ply is the wrong material or laid in the wrong orientation. So we try and mistake-proof it using lasers and laser files.

The operation and monitoring of the car is another area where technology plays a significant role. In practice, we probably run up to 500 channels of data on the car during a practice session. All of that feeds back in real time to the pit wall, and then back to the factory in Woking, England where engineers try to piece together a picture of what the car is actually doing vs. what we want it to be doing at that particular track at that time.

However, once the race or qualifying starts, we are limited by regulation to only 250 sensors on the car. So we must use quite a lot of clever methods both on- and off-car to effectively combine channels and find more interesting data in virtual channels. As a result, the whole telemetry system on the car is set up so that it looks after itself. It will automatically flag channels where data is going out of limits or rising or falling faster or slower than expected. This demands a close cooperation between humans and the automation.

One example is gear shifts. When a driver calls for a gear shift, it actually puts two gears in mesh at once, because it is so fast that, as the torque loads up on the new gear, you can, with hydraulic pressure, pull the old gear out without smashing the teeth off it. But that gets a bit glitchy on wet pavement when you get a lot of unexpected wheel spin, which the algorithm doesn't like very much. If something like that happens and a driver calls for a shift, it won't just bang two gears in without using the clutch, it will dip the clutch in, take one out and put one in. That is what we call a "safe shift." It takes a few milliseconds longer and the drivers don't like it. So that kind of thing is happening all the time in the background.

What we only recently realized is that it's OK, and that we actually rely a huge amount on the profound knowledge in all of our employees. We used to take it for granted, and the big thing that has changed is that we no longer take it for granted.

Mariani: That concept of telemetry looking after itself and how it interfaces with the driver and the crew on the pit wall seems like a form of AI-human interaction that we have seen other industries, including aerospace and defense, struggle with. So that seems to be a very interesting solution.

Roberts: You know we are looking at AI and how we can use it, particularly, in the optimization of simulations and stuff. It is the same with big data. We have inadvertently been doing big data and a low-level version of AI and Internet of Things for a while really. But because we

are not in that field, we put all of our time and energy into developing the racecar, we don't look at these things and badge them.

Maintaining speed and flexibility

Mariani: With all of the sensors on the car generating so much data, and some analysis being done on site, and some back in the United Kingdom, how do you divide up the workload between track-side and the facility back in the United Kingdom?

Roberts: In terms of division of tasks, in simple terms, what happens is, the stuff where you need cool, calm calculation and analysis, and detailed thinking is best done back here at the factory. An example of that in the race is trying to work out tire degradation for all our competitors or fuel usage by all competitors, so that we can strategically decide if we want to push hard or back off at a certain stage of the race. That is really hard to do if you are in the back of the garage with all the heat and emotion of the race, but relatively easy to do if you are sitting back at your desk in mission control here in a nice air-conditioned unit with headphones on. You only hear the things you need to hear, and you have loads of computers and power around you if you need it.

If things go wrong and someone knocks a bit off the side of your car, the guys at the track are only going to check if it is safe. They will look at the loads on the wishbone of the wing and decide if it is safe to run. They don't have time to look at all of the aero data to see how many points of downforce we may or may not have lost at a particular end of the car. But the guys here will do all that and then advise them.

Mariani: Talking about all of these complex processes both on the race day and in the manufacture of the car, because all of these components are so interdependent, does that change how the work groups must function together? In other industries, we have seen the rise of cross-functional teams or rotations between work groups. Your thoughts along those lines?

Roberts: We are trying to make sure that everyone is very free with their data internally. Because you never know how what you're doing is going to affect someone else. Luckily, because we go racing every one to two weeks in the season, the race events force us—and force people—to get together communally. Even if they are not in the same office, they are all on the same intercom systems. Everyone has a role and everyone understands what they are trying to do and what the overall objective is. That kind of cuts through what, in many other companies, could grow into an issue.

We are trying to make sure that everyone is very free with their data internally. Because you never know how what you're doing is going to affect someone else.

Managing change in an uncertain future

Mariani: We have talked a little bit about how the technologies are developing, and your last comment talks a bit about how the organization is developing, so what is

next for McLaren? What is on the horizon? What is the next big technology or organizational shift that will take you even faster?

Roberts: If only we knew . . .

Mariani: That's right, you will know it when you find it!

Roberts: I think the future is really about giving people the balance—the balance of technology, balance in their lives. I have noticed that the engineering organization here is quite resistant to organizational change, more so than other groups here. I don't actually know, but my hunch is that, because their world changes—either the regulations every year or the designs they are working on, the parts they are making—the one thing they cling onto for a bit of stability is where they sit in the organization. We ask so much of them, and they give so much, we are OK with giving them a bit of stability. It doesn't stop us from doing what we need to do as a team.

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by **Joe Mariani**, research manager with Deloitte Services LP and series editor for Deloitte's research campaign on the Internet of Things (IoT). He is responsible for examining the impact of IoT on a diverse set of issues, from business strategy to technical trends.

Everyone has a role and everyone understands what they are trying to do and what the overall objective is. That kind of cuts through what, in many other companies, could grow into an issue.

Endnotes

1. Joe Mariani, Brenna Sniderman, and Cary Harr, "More real than reality: Transforming work through augmented reality," *Deloitte Review 21*, July 31, 2017.

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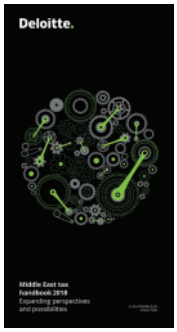

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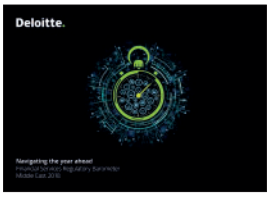

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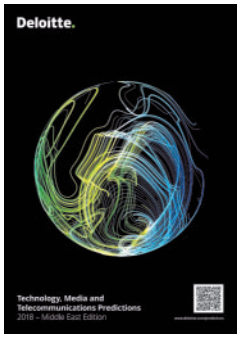

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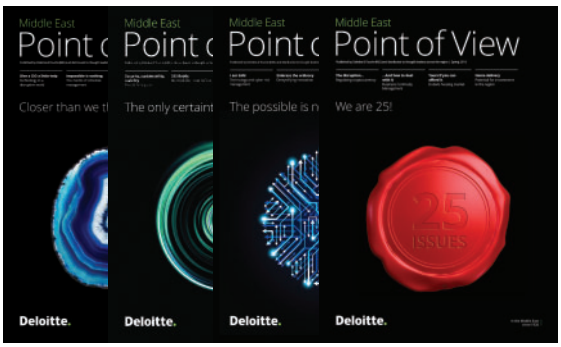

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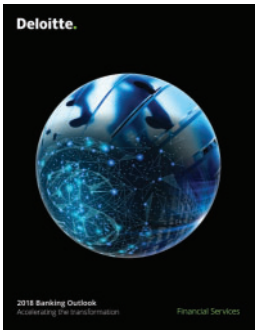

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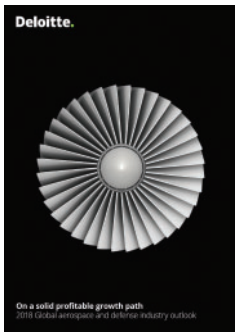

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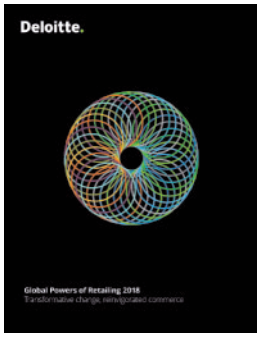

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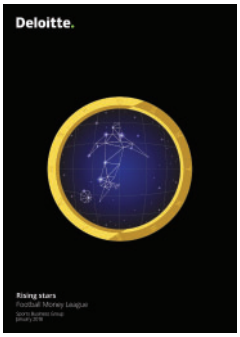

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