Managing risk through accelerating digital transformation

IIA Atlanta October Chapter Meeting

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What industry/sector is your company focused on?

1. Power and utilities
2. Consumer products
3. Travel, tourism and hospitality
4. Financial services
5. Automotive
6. Manufacturing
7. Telecom/ Technology
8. Supply chain/logistics
9. Life sciences/ health care
10. Government/public sector / other
‘Digital’ has been a buzzword around most companies for the past few years, but the pace and scope of digital transformations has been accelerated and expanded by COVID-19.

Companies need to **master the waves of disruption** impacting multiple levels of the business model.

- **Customer experience**
  - Customers expect a personalized experience where companies anticipate and meet their needs.

- **Employee expectations**
  - Employees want the same sophisticated digital experience they have in their personal lives.

- **Supply chain**
  - Customers and employees expect more transparency into the organization's supply chain and ethics.

- **Growing competition**
  - Competitors are offering innovative products and services through new and efficient business models.

- **Data**
  - Increasing digitization of business operations exponentially increases the amount of data that is generated by an organization.
Navigate through the **now, next and beyond**
Companies across the globe are facing business disruption

At Ernst & Young LLP, we look across the three horizons of the **now, next and beyond** to help you take relevant positive actions

### Creating long-term value

<table>
<thead>
<tr>
<th>Consumer</th>
<th>Human</th>
<th>Societal</th>
<th>Financial</th>
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</thead>
<tbody>
<tr>
<td>Growing reputation and trust through demand fulfillment and innovative offerings</td>
<td>Creating an inclusive culture of personal development and purpose</td>
<td>Building trust in capital markets and having genuine social and environmental impact</td>
<td>Leading long-term growth through margin and cost optimization</td>
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#### Now
Safeguard business continuity through effective crisis response planning

- **Shock and restart**

#### Respond and continue
- Protect workforce and people
- Secure financial stability
- Continue operations

#### Next
Ignite recovery through business adaptation and stronger enterprise resilience

- **Continued crisis and slow recovery**

- **Adapt operations**
  - Fix supply chain
  - Restart production
  - Safeguard customer access
  - Reduce cost
  - Streamline structures, portfolio and footprint

- **Increase resilience**
  - Achieve lower and more agile cost base
  - Increase workforce flexibility
  - Optimize supply chain – mitigate geo-risk, create buffers and enhance agility
  - Maximize digital customer access
  - Enhance digitization, automation, back up with cyber security

#### Beyond
Deliver long-term value creation by reframing and transforming business

- **Reframe**
  - Redefine purpose, competitive advantages and business model
  - Continue to lean into digital, enable full digital enterprise (e.g., virtual and digitized work, rebalanced channel mix, accelerated digital marketing)
  - Seize new growth opportunities, pursue acquisitions and divestitures
  - Create a platform for customer inspired innovation
  - Enhance adaptive performance and manage long-term value

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Enterprise Resilience Framework

Managing risk through accelerating digital transformation
Polling question

To what degree is internal audit involved in digital transformation?

1. Very involved
2. Somewhat involved
3. Not involved
4. Not sure
The questions companies are asking are the same, but the speed at which the need to execute has been accelerated.

Accordingly, the pace of change to risk profiles has been accelerated as well: How does internal audit (IA) keep up?

1. Innovate new products and services
   - How can I infuse innovation into products and services?
   - Augmented reality (AR) and virtual reality (VR)
   - The internet of things (IoT)
   - Cloud
   - Artificial intelligence (AI) and machine learning
   - 5G

2. Personalize customer experiences
   - How can I delight my customers by anticipating their needs and delivering experiences that create customers for life?
   - Blockchain
   - Robotics

3. Transform revenue streams
   - How can I transform from selling products to delivering outcomes?
   - 3D printing

4. Optimize value chains
   - How can I orchestrate my value chain to be agile and responsive?
   - Digital transformation

5. Reimagine workforce
   - How can I automate, augment and amplify my current and future workforce?

6. Enable trust, privacy and security
   - How do I secure and protect my digital footprint?
Transformation enables new capabilities for both internal and external stakeholders

What additional risk(s) does each new capability introduce and how can it be mitigated or assessed?
Which of the following impact short- and long-term value creation?

1. Customer experience
2. Data
3. Product and service portfolio
4. All of the above