

# **RISK MANAGEMENT** in **DIGITAL** **TRANSFORMATION**



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# DIGITAL TRANSFORMATION

The power and value of digital transformation lies in **flows of information**, and the ability to **integrate digital information from many different sources and locations** using physical and digital technologies to drive the physical act of doing business.

- In 2019, the spending on the technologies and services that enable digital transformation worldwide are expected to amount to **US\$1.18 trillion**.
- **US\$ 720 million** "Industry Digitalization Transformation Fund," in its national 2019 Budget.

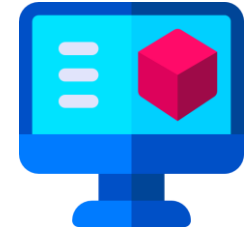


- **89%** of enterprises have plans to adopt or have already adopted a digital-first business strategy globally.
- **18%** of Malaysian businesses are categorized as digital adopters.

# Values for companies to be digitally transformed

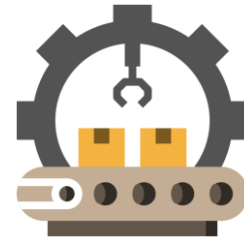
## Software

SAP. Raised productivity by **12%** by transforming their **culture** with aid of digital enablers into their operations.



## Manufacturing

Hasbro (toymakers) . Leveraged on data to enhance their product marketing, hitting **US\$ 5 billion** in sales for the **first time in 93-year history**.



## Retail

StubHub (ticket retailer). Leveraged on **cloud technology**. From struggling to handle sheer volume of ticket transactions, now process payments locally in **44 countries worldwide**.



## Media

The New York Times. Implemented a successful subscription model for their online content to adapt to the digital disruption in its industry. Generated almost **US\$ 500 million** in **purely digital revenue** thereafter.



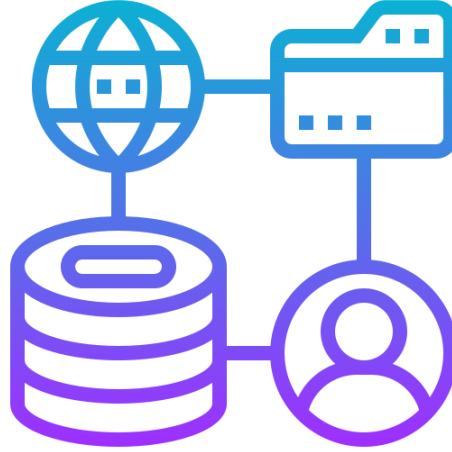
# Risks that are commonly not managed



## Security Management

Growing threats  
More frequent  
More damaging

**CYBER RISK**



## **Cost and complexity** of regulatory pressures

Compliance  
Privacy  
Data protection

**OPERATIONAL RISK**



## Lack of in-house skills & process around **security**

Education  
Awareness  
Framework

**REPUTATION RISK**

**BUSINESS RISK**

# CYBER RISK

- While organizations are prioritizing digital transformation, only **14%** of cyber budgets are allocated to securing transformation efforts.
- The major forces driving the **cybersecurity market** growth are strict data protection directives and rising cyber terrorism.
- Professional cybercriminals will cost businesses over **US\$2 trillion** by 2019.



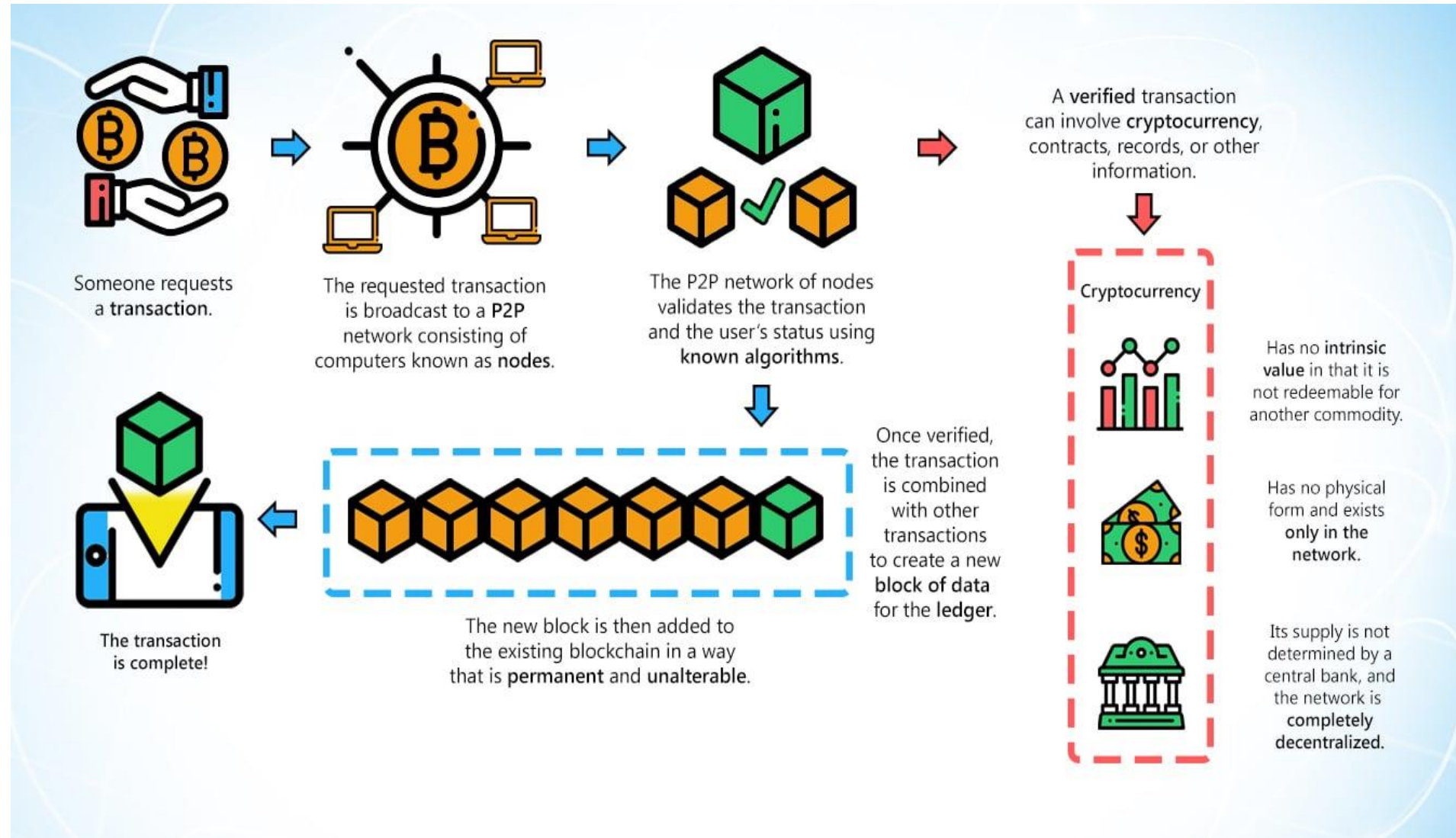
**60%** of digital businesses will suffer major service failures by 2020 due to the inability of security teams to manage digital risk.



- Lack in ability to **timely detect and effectively respond** to security incidents.
- Low **adoption rate** of new technologies .
- Lack of **relevant skills** needed in cybersecurity.

# CYBER RISK - MITIGATION

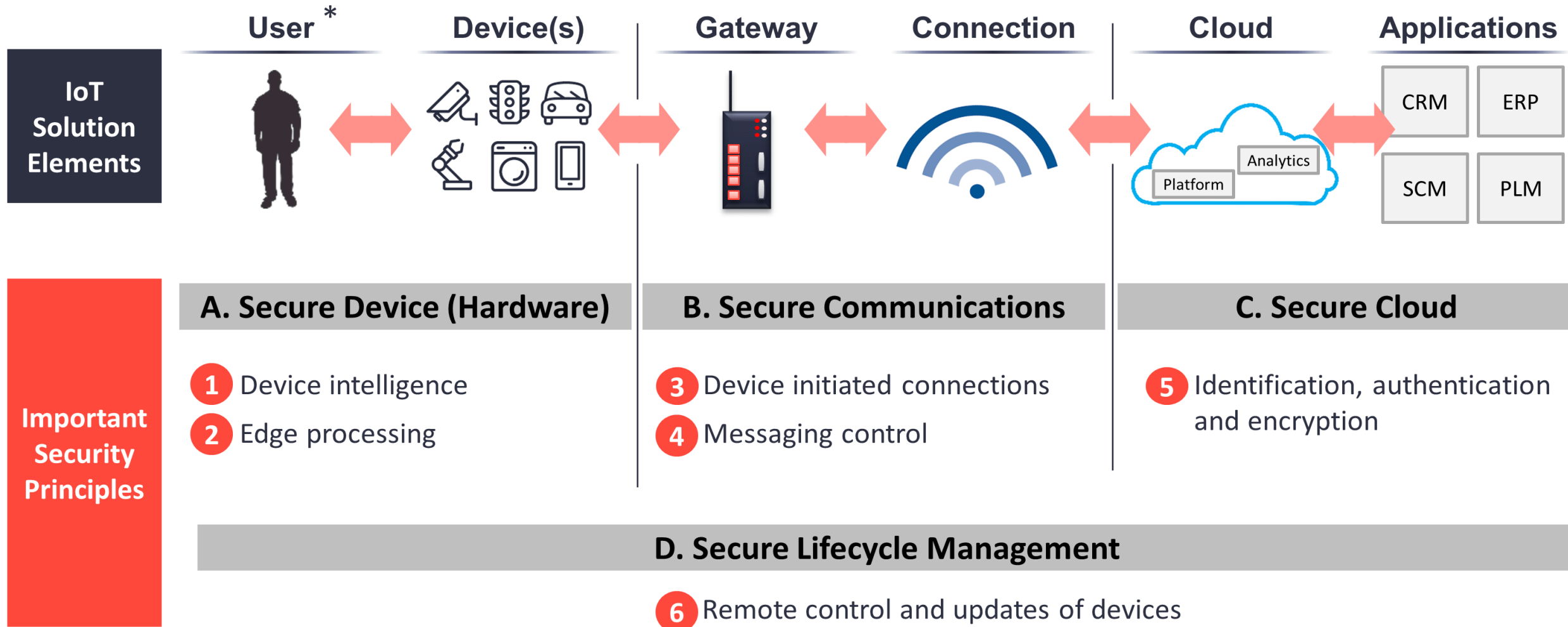
Leveraging on **blockchain architecture** to secure financial transactions.





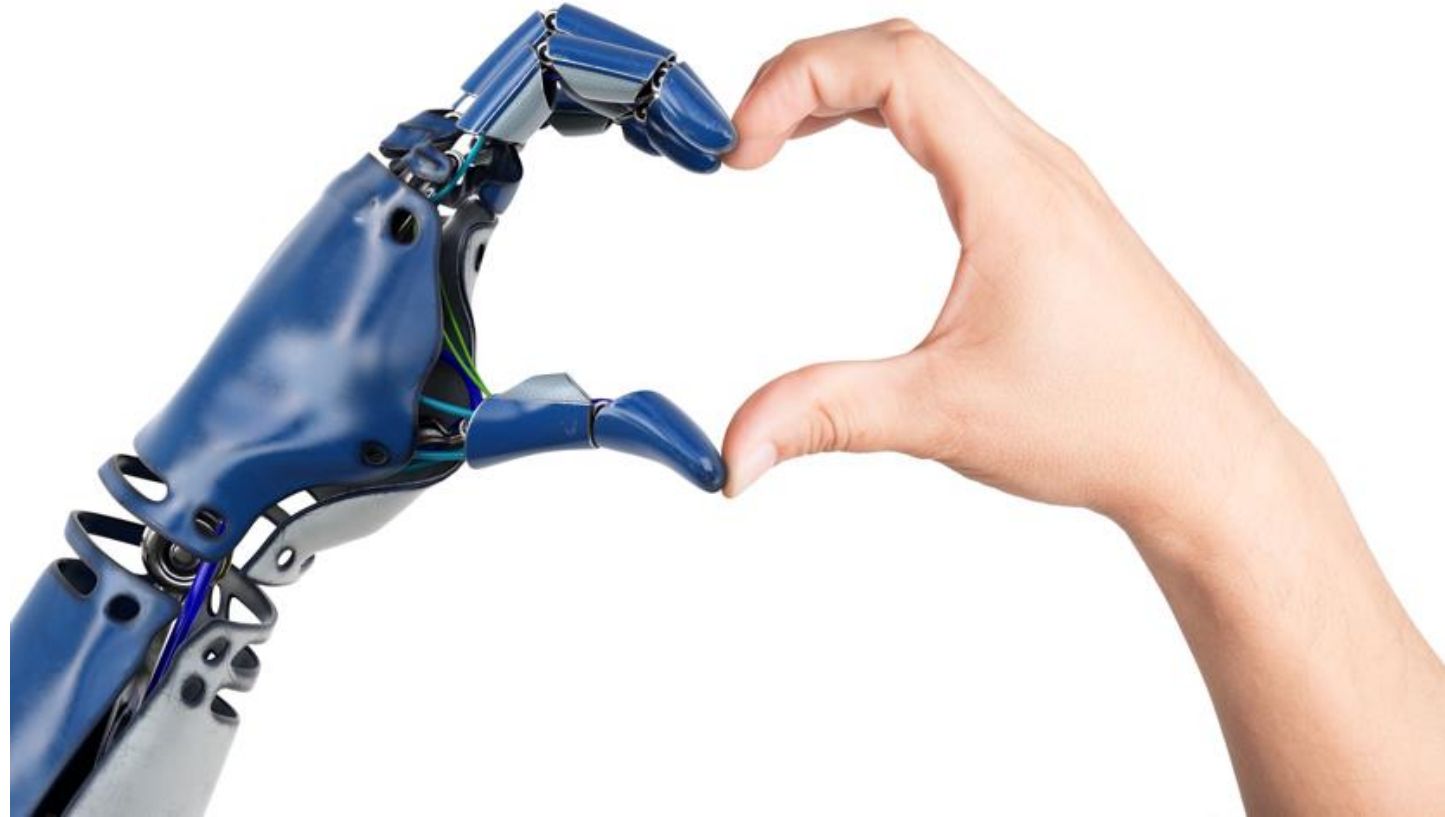
# CYBER RISK - MITIGATION

Design a **Risk-based IoT architecture** for data collection and management of remote systems.



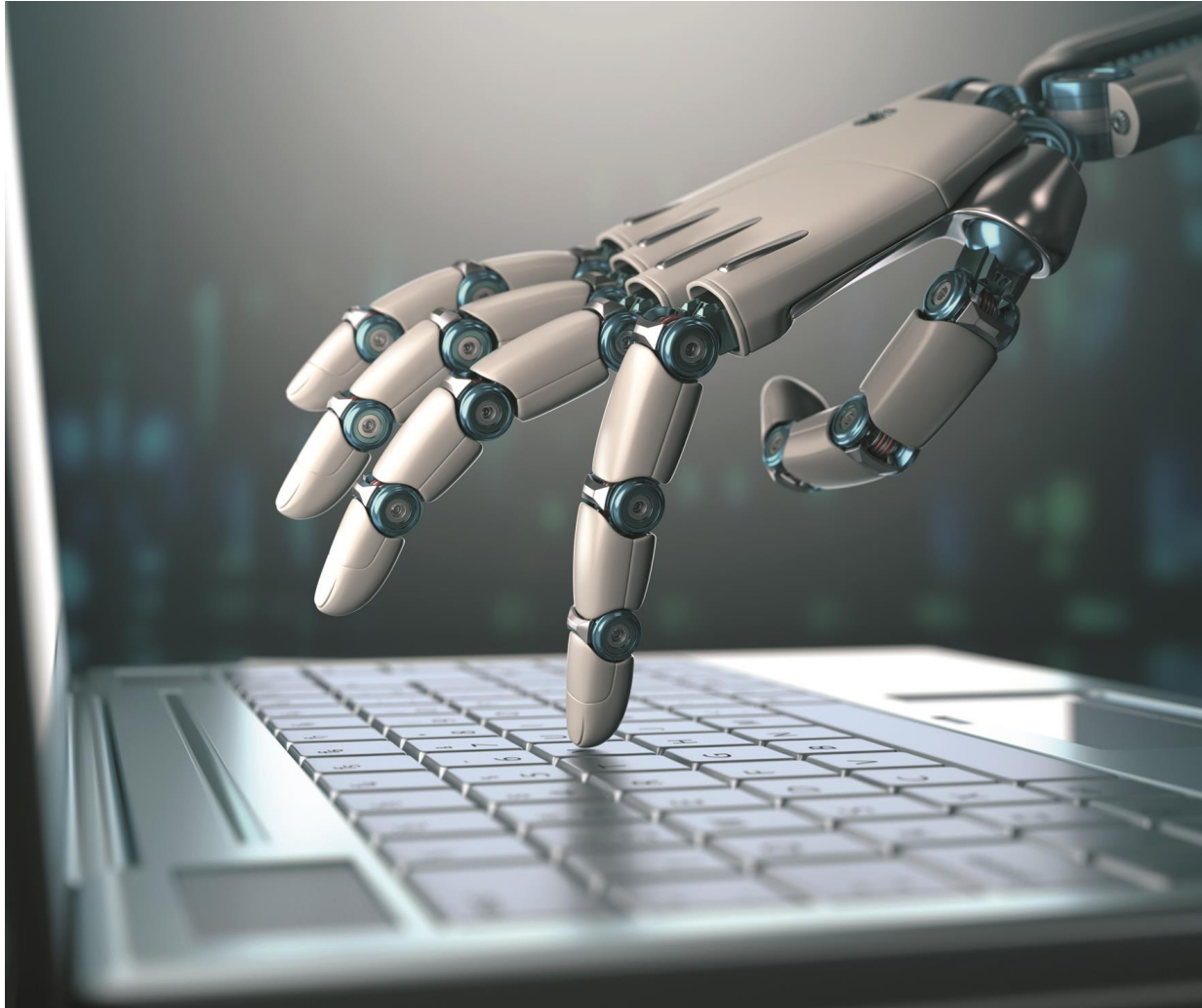
# OPERATIONAL RISK - MITIGATION

- Efforts to **break down silos** can start strengthening communication between compliance and internal audit.
- **High** volume management
- Policy & Regulatory **compliance**
- Leverage **Robotic Process Automation (RPA)** to provide compliance and internal audit checks and balances.





# OPERATIONAL RISK - MITIGATION



- For example, compliance can learn from internal audit's involvement in the **governance, risk and assurance** aspects of enterprise resource planning implementations, as well as the **proliferation of internal audit-conducted RPA pilots.**
- Begin with small pilots, perhaps focused on areas that **require heavy manual rework.**

# REPUTATION RISK

- Time to manage incident is **critical**.
- **One shot** with customer.
- **Thin line** between trust & distrust.



# BUSINESS RISK

- Always **disruptive**.
- When you disrupt, you can **be disrupted**.
- Anyone can **copy**.
- Staying ahead involves **continuous investment**.

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# CONCLUSION

- ✓ Digital transformation is not just a technology evolution, it is a **business evolution.**
- ✓ All aspects of the business and risk management will continue to exist, except in an **accelerated and demanding form.**
- ✓ Critical success factor is to conduct an **impact analysis** on all aspects of business, **identify** and **mitigate** all risks before launch of the Digital Transformation or **at least have a plan.**

**THANK  
YOU**