

Can digital uncertainty be transformed into trust?

Find out how EY can help you
build trust in a digital world



The better the question. The better the answer.
The better the world works.



Building a better
working world

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Differentiating with trust

Today's megatrends illustrate a world in motion where the pace of change is accelerating. Disruption is taking place across industries and geographies. Advances in technology development have become one of the key forces driving change and causing disruption, together with globalization and demographic change. Individuals and organizations are connected in a way that we have never seen before and that is accelerating through the rapid expansion of mobile devices, and development and adoption of emerging technologies.

With the right response, disruption offers tremendous upsides to organizations that can harness its forces. However, the evolution of the digital enterprise also presents significant challenges, including new competition, high pace of change, changing customer engagement and business models, unprecedented transparency, privacy concerns, and cybersecurity threats. As the amount of digital information grows exponentially, devices become smarter and connectivity increases, the digital environment is likely to become even more complex. Trends towards more social networking, the growth of cloud computing and varying (and often lagging) national regulations will only add to this complexity.

Customers are looking to do business with companies they can trust and executives are looking for risk leaders to help protect the organization while not impeding the agility and speed in enhancing customer intimacy, reducing cost and increasing value.

The leading organizations of the future will be those that differentiate on the basis of trust and the leading risk executives will be those that are able to translate uncertainty into confidence.

In this age of digital disruption, risk executives must consider:

- ▶ How digital disruption could affect their organization
- ▶ How their risk function needs to transform as they embark on their digital transformation journey
- ▶ How they can take advantage of the new technologies to optimize their risk function
- ▶ What new skills they would need on their team to effectively manage new digital risks



The accelerating

The accelerating pace of technology evolution and customer-driven change is causing significant disruption across all industries and geographies. Technology advances fueled by the convergence of social media, mobile devices, cloud, big data and the growing demand for anytime anywhere access to information are disrupting the business enterprise and blurring industry boundaries.

While some technologies like cloud and mobile are well known, there is an ever-increasing number of emerging technologies that are modifying traditional business models. Technologies, such as artificial intelligence, robotic process automation (RPA), internet of things (IoT), block chain, 3D printing and many others are revolutionizing business models, disrupting entire supply chains and enhancing customers' experience.

Digital reconfigures and democratizes information, creates new levels of complexity, and takes place at unprecedented speed. Social media and digital technologies have given consumers a broad access to knowledge, and given them a more powerful voice, allowed more informed decision-making, and enabled greater choice between providers. Empowered consumers are helping redefine traditional markets and accelerate the elimination of traditional boundaries. They are becoming the center of evolving industries.

pace of change

Companies increasingly need to consider the adoption of digital technologies to keep pace with competitive product advancements as well as the ability to deliver them in different ways at lower costs. One such example is the power and utility space. Renewables, smart metering and smart grids are reshaping the sector. But, customers themselves are also redefining the industry.

The industry was once prone to viewing customers as impersonal ratepayers and has traditionally suffered from low levels of customer satisfaction. Today's enlightened customers demand transparent and competitive pricing, as well as energy-efficient, environmentally friendly solutions. The distributed energy revolution allows residential, commercial and industrial customers to generate and store their own electricity, as well as sell it back to the grid. The former ratepayers have evolved to become actual suppliers to incumbent power and utility companies.

Risk functions need to rapidly evolve to be agile enough to keep pace with the change and have the skills to understand and manage new risks impacting their business. As risk leaders, being able to translate uncertainty into confidence, accelerate performance, and proactively identify, improve and respond to these emerging risks is critical to the overall success of the organization.

In this age of technology disruption, risk executives must:

- ▶ Understand the organization's strategy and portfolio of emerging technology – balancing the portfolio for the greatest overall investment, risk and reward
- ▶ Advise on how to embed security and controls in emerging technology efforts
- ▶ Understand the risks associated with emerging technologies and how to manage them
- ▶ Establish a risk function that is agile and with the right skillsets, processes and tools to respond to new risks quickly and effectively
- ▶ Leverage emerging technologies to optimize and transform the risk management function

Digital transformation creates new risks or magnifies existing risks that need to be properly managed to fully achieve the benefits of innovation and investment. In order to manage these risks effectively, risk functions need to empower executives with the right information to enable them to make risk-informed decisions and need to implement the right approach to manage these types of risks.

With maintaining and building trust as the ultimate goal, how risks are identified and responded to can create new business value and unlock business potential. To succeed in today's fast-moving business environment, senior executives must take a strategic and agile approach to risk management. Regardless of a company's stage of growth, the ability to effectively identify and manage risk is a vital element of success.

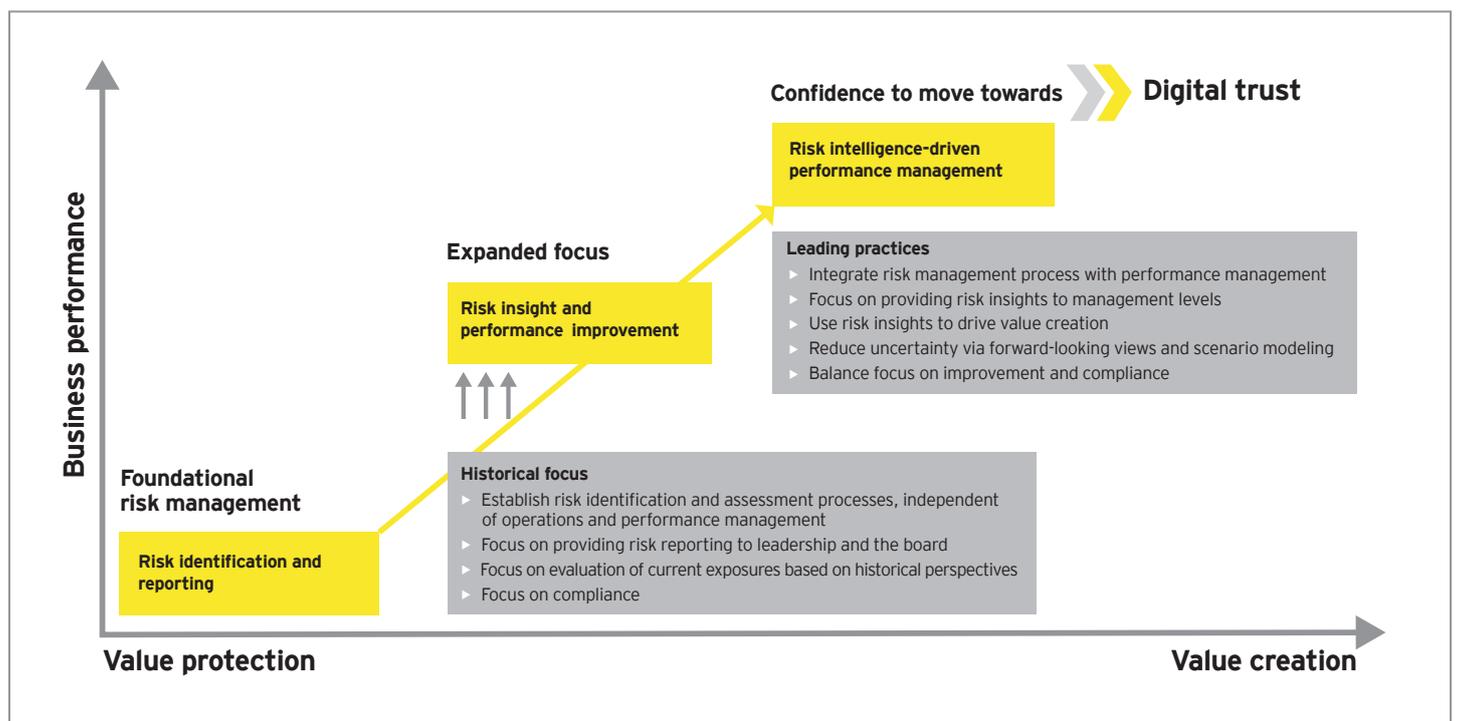
Risk executives must focus on managing risks across the enterprise to maintain trust with customers and internal employees to differentiate in the market.

Embarking upon a digital transformation with little or no preparation can be detrimental to the organization because digital adds a level of risk that traditional mechanisms are ill equipped to monitor and mitigate. Often, no clear ownership of digital leads to a fragmented risk management approach, waste and duplication of spend, diseconomies of scale, regulatory breaches, or poor customer experience. Businesses that recognize these new risks early on can capitalize on the associated opportunity but also need to manage new risks inherent to the adoption of a new digital/disruptive solution.

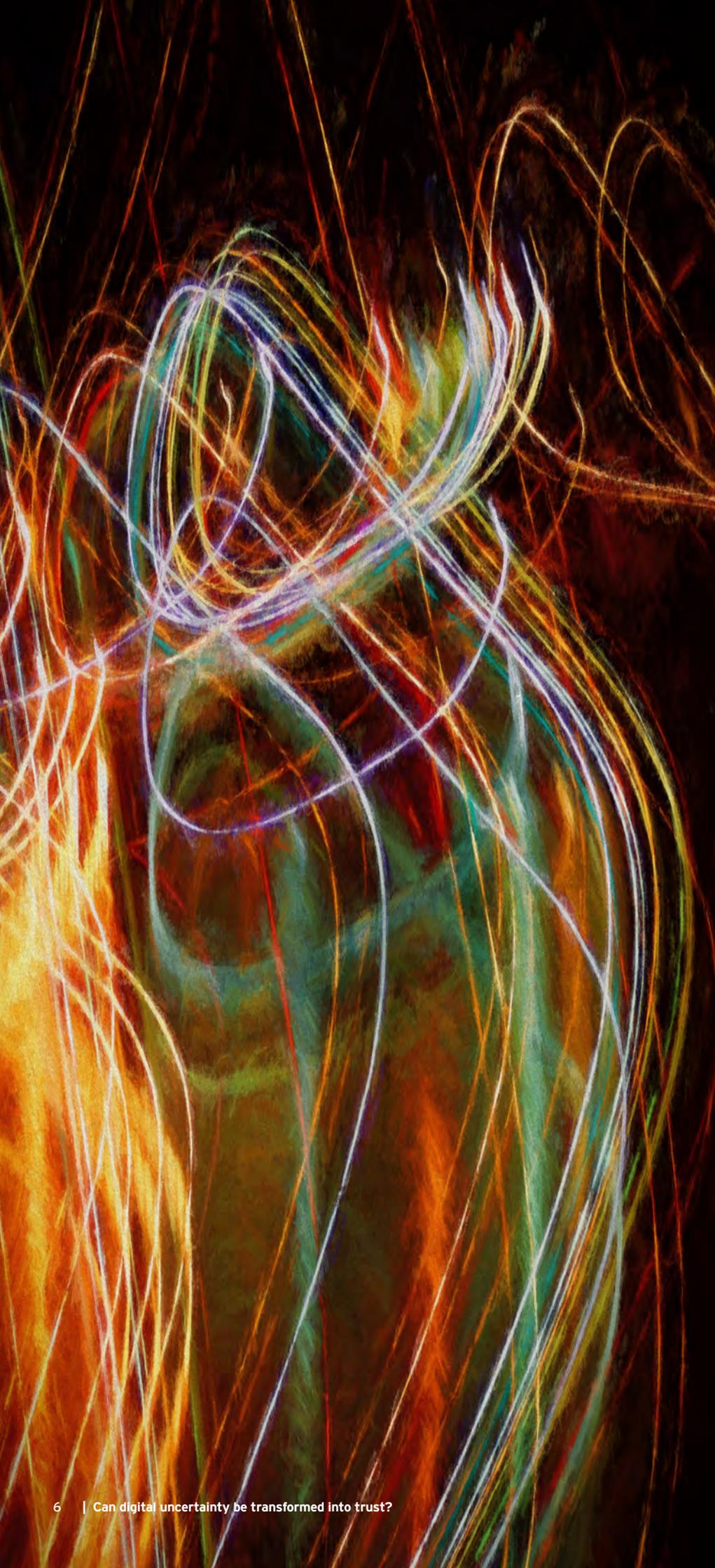


Understanding and managing risk

Organizations need to recognize that digital transformations are not just about technology. Digital transformations require the right focus on risk management associated with it: while eliminating some risks, digital business can create new, or magnify existing risks that present significant threats if not managed appropriately. They will need to focus external risk governance on the enterprise's ecosystem in order to build resilience. They will also need to understand how to transform their risk management function and obtain the right skill sets as they embark on their digital journey.



In order to fuel better performance in a digital world, leading companies are not only identifying and mitigating risk, but they are turning digital risks into competitive advantage to activate digital trust.



Translating uncer

Risk organizations need to maintain a robust and agile risk-aware function that both empowers and is enabled through innovation. This requires specialized skills and tools to keep pace with today's rapid pace of change. The potential result could be:

- ▶ Improved value realization by improving strategic investments to effectively balance risk and reward, grow the business, and benefit from the right risks
- ▶ Improved enterprise risk governance, organizational agility and resilience
- ▶ Effective tools and processes to build security and continuous monitoring of risks enabled by technology and automation
- ▶ Risk intelligence and response strategy to help protect people, processes, and systems to successfully create a trusted digital ecosystem beyond data security and legacy IT thinking

ertainty into confidence

How can EY help build a digital trust framework?

A digital trust framework can help organizations contribute value by benefiting from the right risks while staying compliant, capable and protected across the digital ecosystem. It can focus on:

▶ **Trusted strategy**

- ▶ Developing a process to assess risk and adjust investments to invest in the right digital projects
- ▶ Identifying and assessing the associated risks that impact your business and determine response

▶ **Trusted implementation**

- ▶ Building security and controls into digital program development
- ▶ Improving organizational structure, risk management policies and processes to create agility
- ▶ Leveraging technology to more effectively execute and sustain tools and processes, including cybersecurity

▶ **Trusted operations**

- ▶ Building trusted operations from the implemented tools

EY's digital trust framework aims to help our clients understand the risks they are facing, incorporate risk into their strategy by taking advantage of the right risks, while helping to limit and protect their businesses from preventable risks.

In the world of ever-increasing automation and digital data, establishing a continuous monitoring approach to identifying, prioritizing and responding to risk triggers coupled with predictive analytics, elevates an organization's risk response mechanism from reactive to proactive and predictive. EY's broad range of digital risk capabilities, tools and accelerators can give our clients the foresight and business confidence to navigate the complexities of today's and tomorrow's risks while creating and maintaining digital trust.



Summary

Digital trust is now a board level concern and risk executives need to evolve their risk management functions to be agile in responding to rapidly changing risks in order to help translate uncertainty into confidence.

Digital transformations require the right focus on risk management to achieve the greatest potential value for the enterprise:

- ▶ Digital business can create new, or magnify existing risks, that present significant threats if not managed appropriately.
- ▶ Organizations need to focus external risk governance on the enterprise's ecosystem in order to build resilience.
- ▶ Organizations need to understand how to transform their risk management function and obtain the right skill sets as they embark on their digital journey.

Building the right digital framework can deliver value from risk and shift gears from prevention to enablement. By being on top of both traditional and digital risk, companies are better positioned to defend their businesses, ultimately turning them into digitally trusted partners – internally with employees and externally with customers.

In a world where everything is changing, trust will be the differentiator of the future.

Every business should ask these questions:

- ▶ Is your risk management function transforming along with your organization's digital transformation?
- ▶ Do you have the organizational agility and the right skill sets to respond to digital risks quickly and effectively?
- ▶ Do you understand the risks associated with digital technologies and how you should manage them?
- ▶ Are you picking the right digital projects? Are you balancing your digital portfolio for the greatest overall investment, risk and reward?
- ▶ Are you embedding security and controls in your digital projects?
- ▶ Are you designing your operations to ensure you effectively manage risks?

If you are not certain about the answers, EY can help.

EY digital services

In a digitally disrupted world, EY can provide confidence to our clients and stakeholders through every digital element of business transformation (tax, legal, people, regulatory, compliance, technology, innovation and capital investment strategy). The higher-quality results can help grow and protect their business and build a better working world.

Through our professional insight and judgement, firm grasp of technology and innovation, and human intuition, EY helps the boardroom seize the upside of disruption. As EY helps build confidence in the capital markets, so we will build confidence in the digital world.

EY produces a range of thought leadership reports focused on digital issues and the many related challenges and opportunities. These timely and topical publications are designed to help you understand the issues and provide you with valuable insights about our perspective. Please visit our digital portal at ey.com/digital



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About EY

EY is a global leader in assurance, tax transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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In a world of unprecedented change, EY Advisory believes a better working world means helping clients solve big, complex industry issues and capitalize on opportunities to grow, optimize and protect their businesses.

Through a collaborative, industry-focused approach, EY Advisory combines a wealth of consulting capabilities – strategy, customer, finance, IT, supply chain, people advisory, program management and risk – with a complete understanding of a client's most complex issues and opportunities, such as digital disruption, innovation, analytics, cybersecurity, risk and transformation. EY Advisory's high-performance teams also draw on the breadth of EY's Assurance, Tax and Transaction Advisory service professionals, as well as the organization's industry centers of excellence, to help clients realize sustainable results.

True to EY's 150-year heritage in finance and risk, EY Advisory thinks about risk management when working on performance improvement, and performance improvement is top of mind when providing risk management services. EY Advisory also infuses analytics, cybersecurity and digital perspectives into every service offering.

EY Advisory's global connectivity, diversity and collaborative culture inspires its consultants to ask better questions. EY consultants develop trusted relationships with clients across the C-suite, functions and business unit leadership levels, from Fortune 100 multinationals to leading disruptive innovators. Together, EY works with clients to create innovative answers that help their businesses work better.

The better the question. The better the answer. The better the world works.

EY Digital Trust Advisory leaders are:

EY Global Advisory Risk Leader		
Amy Brachio	+16123718537	amy.brachio@ey.com
EY Global Digital Trust leader		
John Auletta	+1 212 773 5395	john.auletta@ey.com
EY Area Digital Trust leaders		
Americas		
John Auletta	+1 212 773 5395	john.auletta@ey.com
EMEIA		
Piotr Ciepiela	+48519511603	piotr.ciepiela@pl.ey.com
Asia-Pacific		
Des Silberberg	+61 2 8295 6415	des.silberberg@au.ey.com
Japan		
Hiroyuki Shimamori	+81 3 3503 1100	hiroyuki.shimamori@jp.ey.com