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Digital for Internal Audit

Understanding digital risks for IA

Priyam Lahiri and Andy Matthews

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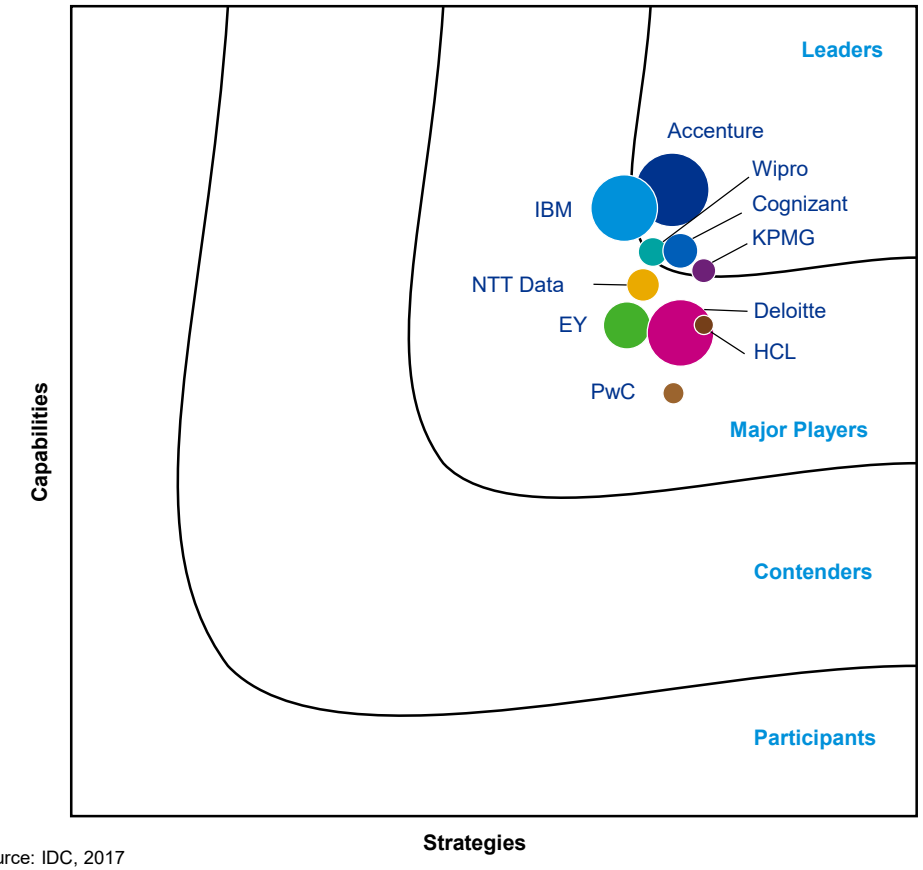
IDC MarketScape

IDC MarketScape Digital Transformation Consulting and Systems Integration Services



Source: IDC, 2017

The evolution of digital and customer influence

1900

Age of manufacturing

Mass manufacturing industrial powerhouses successful

- Daimler-Benz
- General Electric
- Siemens
- Samsung (1938)

Local User/buyer

1960

Age of distribution

Global connections and transport make distribution key

- Toyota
- Walmart
- Carrefour

Many buyers – larger footprint

1990

Age of information

Connected PCs and supply chains mean firms that control information flows dominate

- Amazon - selling
- Google
- Microsoft

Faster/Omni-channel experience

The evolution of digital and customer influence (cont.)

2010

Age of customer data

Empowered buyers demand a new level of customer-centricity

- Amazon - Recommends
- Facebook/twitter
- Ocado

Shares personal data

2017

Age of disruptor and signals

Non-traditional entrants to markets creating choice driven by customer needs

- Amazon Prime
- Uber
- AirBnB
- Netflix
- Carwow

Personal service with greater choice

2020

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The new operating environment

Customers expect more from businesses than ever before. They demand excellent experiences which involve minimal time and effort, always meet expectations, demonstrate integrity and authenticity, reach resolution, are empathetic and personalised.

Democratisation of communication

Democratisation of brand reputation by social networks

Channel shift

The shift to a mobile first and video first world

Customer power

Customers are firmly in charge creating buyer markets

Accelerated innovation

Empowered customers demand levels of new speed and innovation

Renegotiation of trust

Collapse in confidence in institutions and need for privacy

Instant access

Instant, global access to information and options

Death of complexity

Provide simplicity while delivering advanced products and services

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Are you going digital for digital sake?

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What is digital?

By 2020, it is anticipated there will be more than **50 billion** connected devices globally

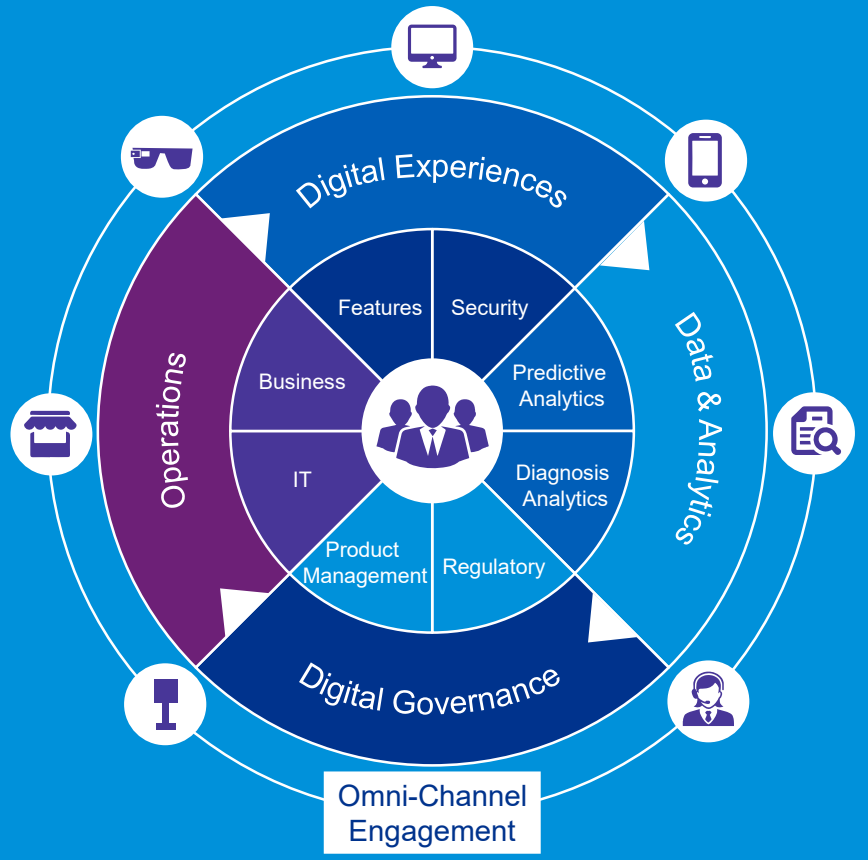
- Giff Gaff
- Amazon
- Netflix
- Adidas
- Uber
- Apple pay
- Deliveroo

74%

of US chief executives say their organization is trying to actively disrupt the sector in which they operate

65% of US chief executives believe the next three years would be more critical and transformational for their industries and companies than the past 50.

Source: Global CEO Survey, KPMG, 2017



Key IA risks

01

Q. Do you have a digital strategy and is it aligned to your corporate strategy?

R. Unclear goals and objectives, disjointed delivery plan, poor communication of digital objectives leading to less buy-in

A. Assess the current digital strategy to highlight gaps in vision and plan for delivery

02

Q. Do you have an operating model (people, process and technology) to deliver your digital agenda?

R. Poor delivery, incomplete processes, inefficient use of resources

A. Assess systems, process and digital delivery capabilities

03

Q. Are your digital investments aligned to your strategy?

R. Increased costs, higher pressure on resources, duplication of costs

A. Clear governance and controls on investments for digital across business divisions aligned to strategy

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Do you know your customers?

Digital can have a different impact on the Six Pillars of Customer Experience

Integrity

Being trustworthy and engendering trust.

Resolution

Turning a poor experience into a great one.

Expectations

Managing, meeting and exceeding customer expectations.

Time and Effort

Minimising customer effort and creating frictionless processes.

Personalisation

Using individualised attention to drive an emotional connection.

Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport.

Key IA risks

01

Q. Are customer insights being used to drive decisions on digital channels

R. Poor customer experience, lower digital uptake, poor customer acquisition

A. Assess customer insight process, customer data collected, frequency of reporting

02

Q. Are your digital channels accessible to your customers

R. Low uptake, poor conversion on digital channels

A. Check accessibility on digital channels, conduct accessibility and user testing on digital channels

03

Q. Are your services available to your customers on digital channels?

R. Incomplete customer processes, poor customer retention, duplication of costs

A. Assess end-to-end customer processes to see incomplete process flows, customer loss across channels

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Do you think you are relevant for your customers?

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Is your organisation ready to adopt new technology and transform jobs ?

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It is becoming increasingly important to choose the relevant digital channels

88% of people in China own or use WeChat or AliPay for payments

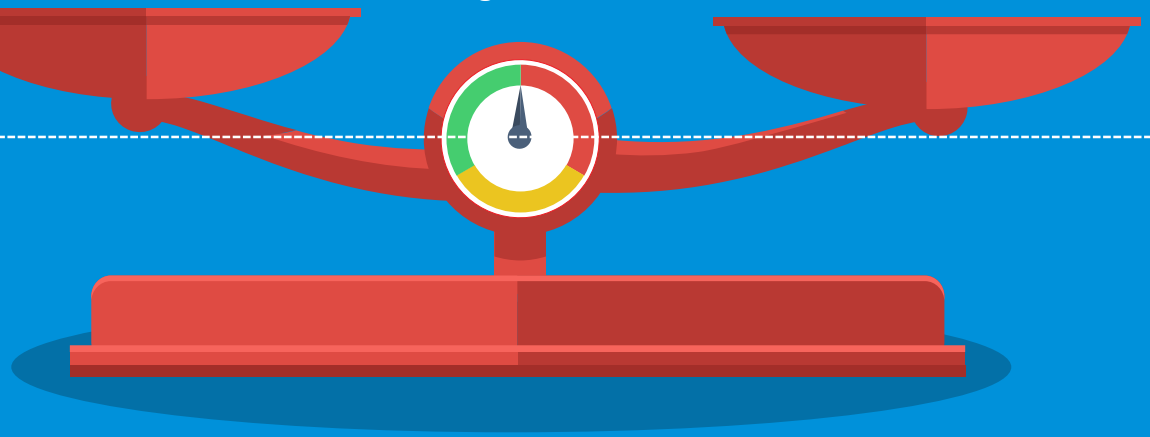
#1 Payment method in UK: Debit cards

Economic value is lost when experience fails to meet expectations resulting in **lost revenue** and **share.**[1]

-2X

+1X

Economic value is **maximized** when customer expectations and experience are in **alignment**.



Experience delivered

Economic value is **lost** when experience significantly exceeds expectations resulting in **higher** than necessary **operating costs.**[4]

Customer expectation

When companies over or under invest or deliver on customer expectations, profit suffers.

Source: KPMG International

Key IA risks

01

Q. Are Digital Investment decisions made by separate teams like IT, product or marketing?

R. Duplication of costs, Untimely implementation of digital, Increased risk of delivery

A. Assess internal controls and governance boards making investment decisions

02

Q. Do you have different go-to-market plans of digital initiatives across different teams?

R. Pressure on IT roadmaps, Increased cost of delivery, Lack of communication

A. Compare different project roadmaps and alignment with digital strategy , assess governance structures for alignment

03

Q. Are you measuring the performance of your digital channels and what mechanisms do you have to improve?

R. Poor customer experience, waterfall slow development cycles for IT

A. Check Digital KPIs, mechanisms for performance improvement

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Is your organisation ready to adopt new technology and transform jobs ?

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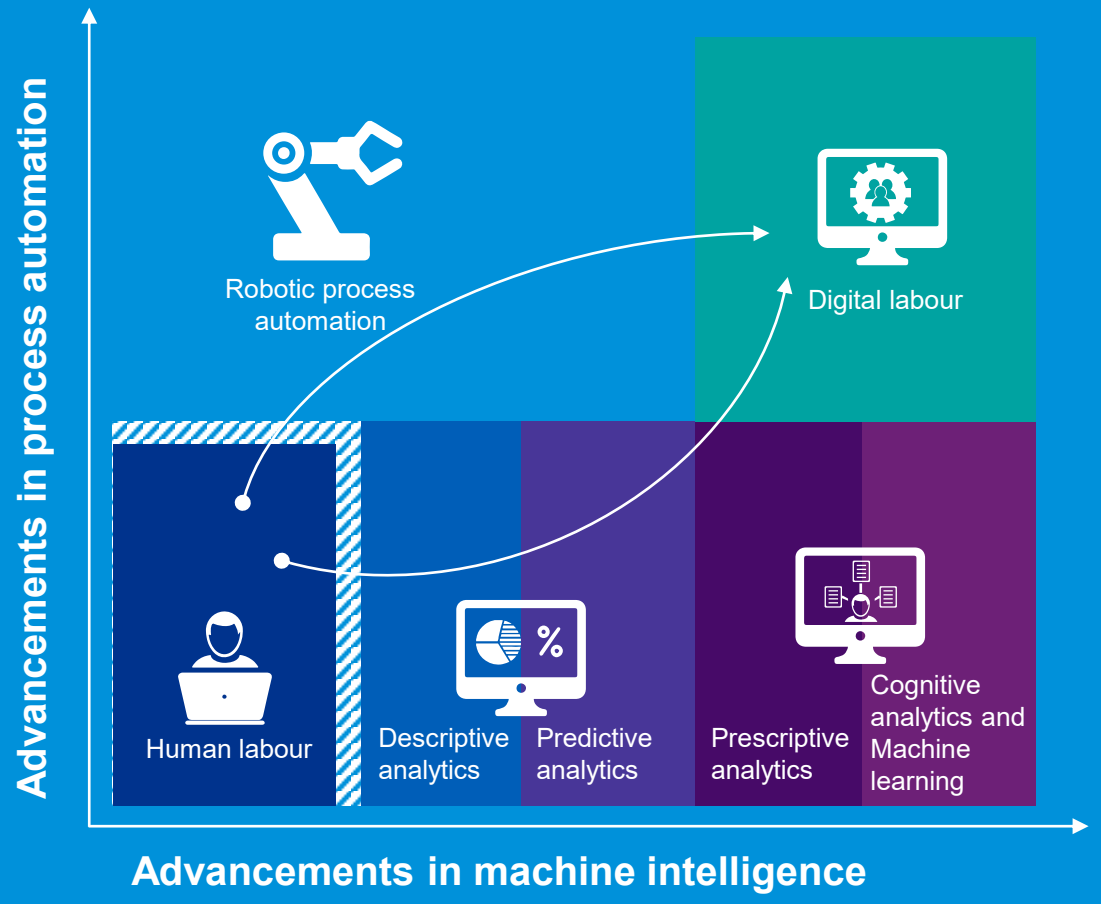
Employee adoption of digital technologies

28%

of CEOs say their existing organizational culture is a barrier to execution.



Top three IA risks

01

Q. Are your employees upskilled to deliver on digital?

R. Incomplete training, lack of motivation and communication

A. Assess L&D processes for digital teams, performance KPIs

02

Q. Is there clear accountability for increased digital adoption?

R. Loss of accountability, unclear objectives and goals, poor adoption

A. Check governance structure and internal employee engagement strategy and plan

03

Q. Is your digital capability have the required skills and how does it work across BUs?

R. Ad-hoc recruitment (employed/ contractor mix), disjointed mix of teams, lack of knowledge share

A. Assess digital team structures, knowledge share between digital teams

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Digital is not your IT strategy

Complementary not focussed on one

IT strategy focusses on a technology, digital strategy looks at what mix of channels and technologies complement to improve customer experience

Its not just about the customer!

Digital strategy looks at transforming the business inside out with new processes, people and technology

It's part of your business strategy

Digital is an answer to the way your business wants to connect with your customer, IT enables that through infrastructure

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Is your IT strategy aligned to deliver your digital ambition?

Top three IA risks

01

Q. Is your IT roadmap aligned to your digital roadmap?

R. Delayed implementation, duplication of costs, inefficient use of resources

A. Assess project governance controls, budget cycles, business case methodology

02

Q. Do you have end-to-end IT testing capabilities to test your digital channels?

R. Limited effectiveness of channels, poor customer experience and inaccurate controls

A. Assess UAT, end-to-end testing capabilities

03

Q. How quickly can changes be made to digital content ?

R. Slow IT release cycles, delays in content uploads

A. Check if IT has a agile development process and necessary governance controls

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Contact

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