

EXECUTIVE BRIEF

EFFECTIVE RISK MANAGEMENT IN DIGITAL TRANSFORMATION



THIS EXECUTIVE BRIEF CONTAINS KEY INSIGHTS FROM THE REPORT:

Managing Risk through Digital Transformation

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- Based on a global study of more than 1,400 enterprises, 451 Research's respondents include both IT professionals and line-of-business managers across multiple vertical and geographic sectors. The report: 'Managing Risk Through Digital Transformation' is the result of this primary research.
- In collaboration with CenturyLink, this 451 Research report highlights how enterprise strategists and practitioners with a working knowledge of digital transformation perceive the relationship between the digitization process and issues of risk management and security.

RESEARCH FINDINGS

- ✓ Risk is an integral part of the digital transformation process. Organizations are well advised to incorporate risk management thinking into the digitization process right from the start, and through all stages of planning and execution.
- ✓ Risk management can be divided into three main spheres:
 - Data security
 - Proactive mitigation and threat prevention
 - Impact of system and infrastructure reliabilityTo be effective, a digital transformation strategy must focus on all three.
- ✓ As organizations progress along the path of digital transformation, proactive risk mitigation becomes a higher priority. This implies that as business leaders manage the priorities of security, agility and operational efficiency, they become better placed to embed risk mitigation into the entire stack.
- ✓ Better management of risk associated with cybersecurity, data privacy, and systems reliability is a fundamental driver of digital transformation, with 40% of organizations rating this as a desired transformational outcome.
- ✓ Risk related goals for digital transformation projects are broadly similar for line of business and IT professionals. Overall, these are:
 - 49% - Secure customer data
 - 44% - Secure internal data
 - 36% - Foster proactive risk mitigation
- ✓ Perceptions of risk management vary between regions. Asia-Pacific based business leaders appear to be more attuned to risk, perhaps reflecting the earlier stages of incorporating risk into their planning. In contrast, regulatory requirements have forced European companies to consider privacy and data security from the beginning.
- ✓ The majority of C-level executives do not pose a barrier to embedding risk mitigation and security processes into their organization's digital transformation. In fact, the opposite is true, and it is often necessary to incorporate risk policies into initiatives in order to win executive buy-in.

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RESEARCH FINDINGS (cont.)

- ✔ Risk management may not be a central problem an organization sets out to fix when making digital transformation plans, but business leaders are increasingly aware that risk-related thinking needs to be entwined into their wider digital transformation strategy planning.
- ✔ Organizations that have progressed their digital transformation plans are more inclined to work with third-party service providers than companies in the early stages of transformation. This suggests that with digital maturity, a greater appreciation exists for external expertise, especially when managing risk.
- ✔ Fintech is a catalyst to accelerate digital initiatives in banks across all regions. But regional disparities on the perception of risk are evident from the survey. In Asia Pacific firms, business leaders have a higher recognition than in Europe or North America of risk as both a driver and a barrier to digital transformation.
- ✔ Notable differences exist in how business leaders perceive risk management priorities. Those working in government express concern about meeting regulatory obligations. In retail and financial services organizations, respondents prioritize ‘what if’ scenarios of reputational damage and corporate liability.
- ✔ Compliance and security are not the same. Compliance corresponds to a set of needs that change slowly, not daily as seen in the security landscape. To protect sensitive data, an active, smart and thorough security plan coupled with a solid compliance plan is what organizations need.

TAKEAWAYS

- ✔ Business leaders should strive to get the message out across their organization that security needs to be built into digital transformation from start to finish, across the whole technology stack, and from datacenter to edge.
- ✔ Increased complexity, scale and operational risk go hand in hand with digital transformation; a challenge not only to the IT team but with potentially serious repercussions for the business as a whole. Silos or walls need to be torn down, particularly between security and operations, with cross-functional teams focused on reducing security gaps.
- ✔ To shift from a risk-averse organization to one that embraces risk, business leaders need to communicate their vision, think and act more courageously and foster a culture that allows experimentation without fear of failure.
- ✔ Four approaches of digitally successful companies managing risk:
 1. Overcome aversion to risk
 2. Embrace risk
 3. Strengthen understanding of risk
 4. Monitor each individual risk
- ✔ To digitally transform your organization, innovate continually. Take advantage of existing and new digital technology, services, and business practices. But from the start, invest in security and consider leveraging the experience, shared knowledge and data of external cybersecurity experts.

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