



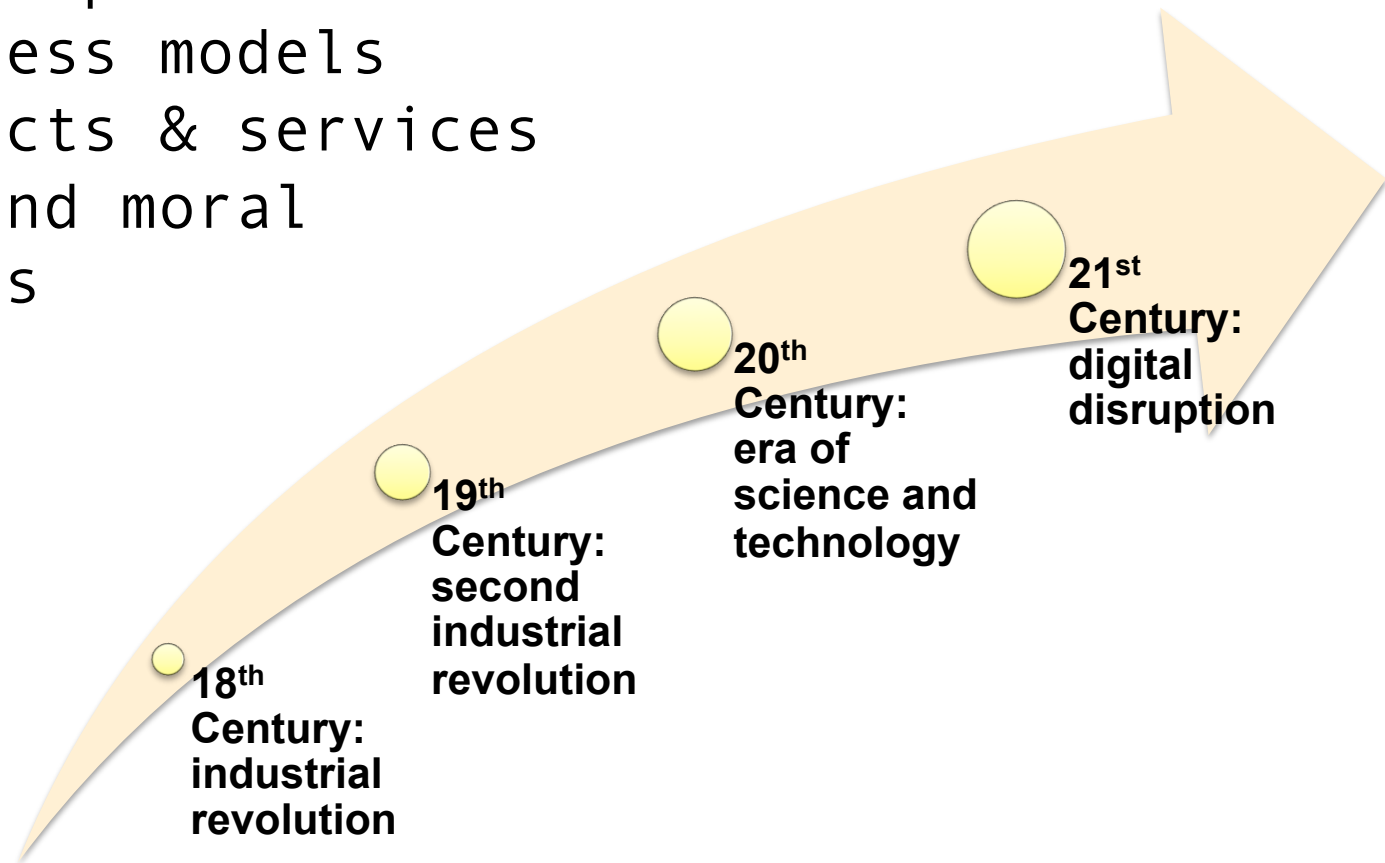
Assessing your organisation's innovation capabilities

**Garry Barnes,
International Vice President, ISACA &
Practice Lead Governance Advisory
December 2015**

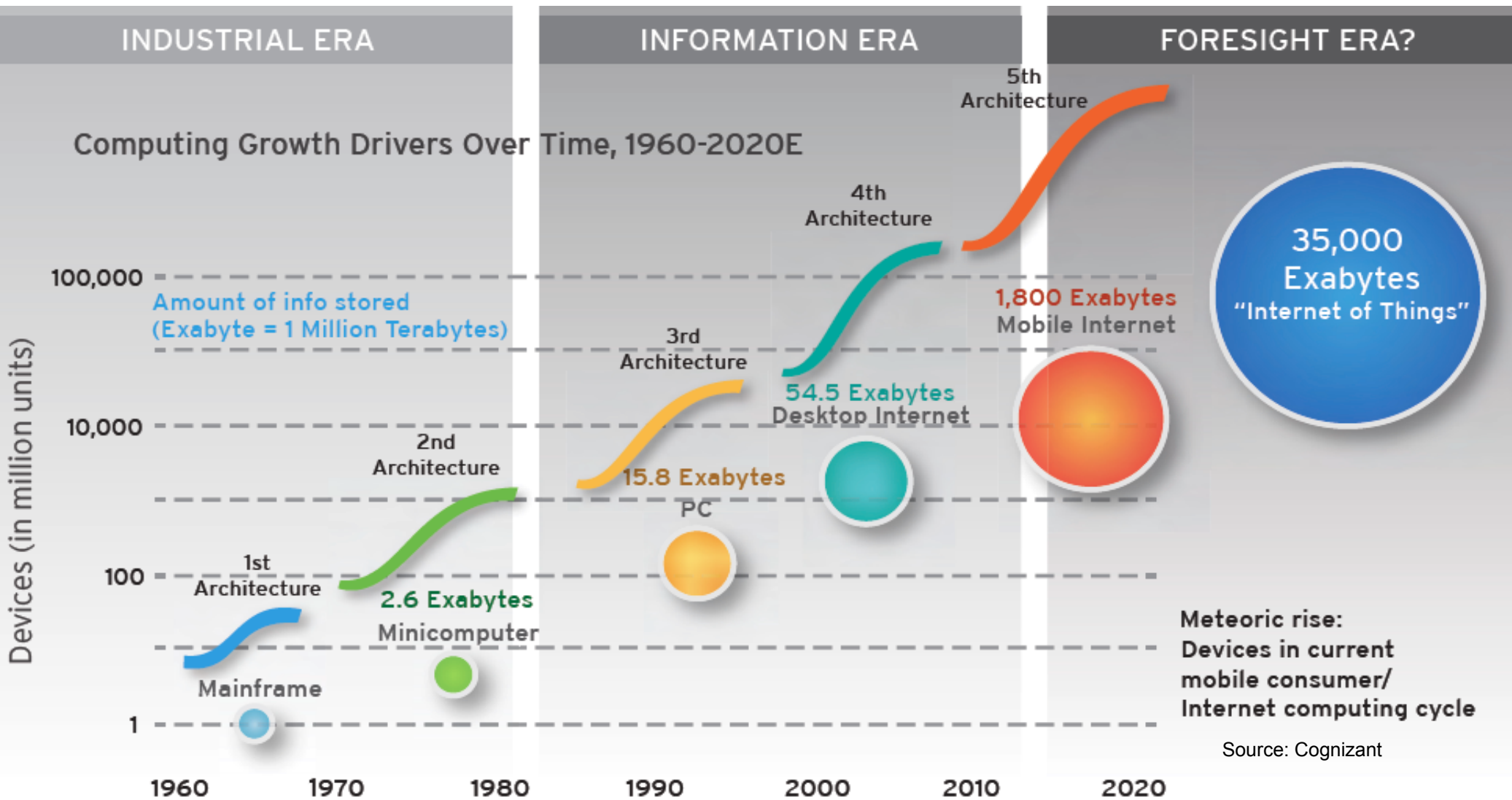
Age of digital disruption

Change vs Disruption

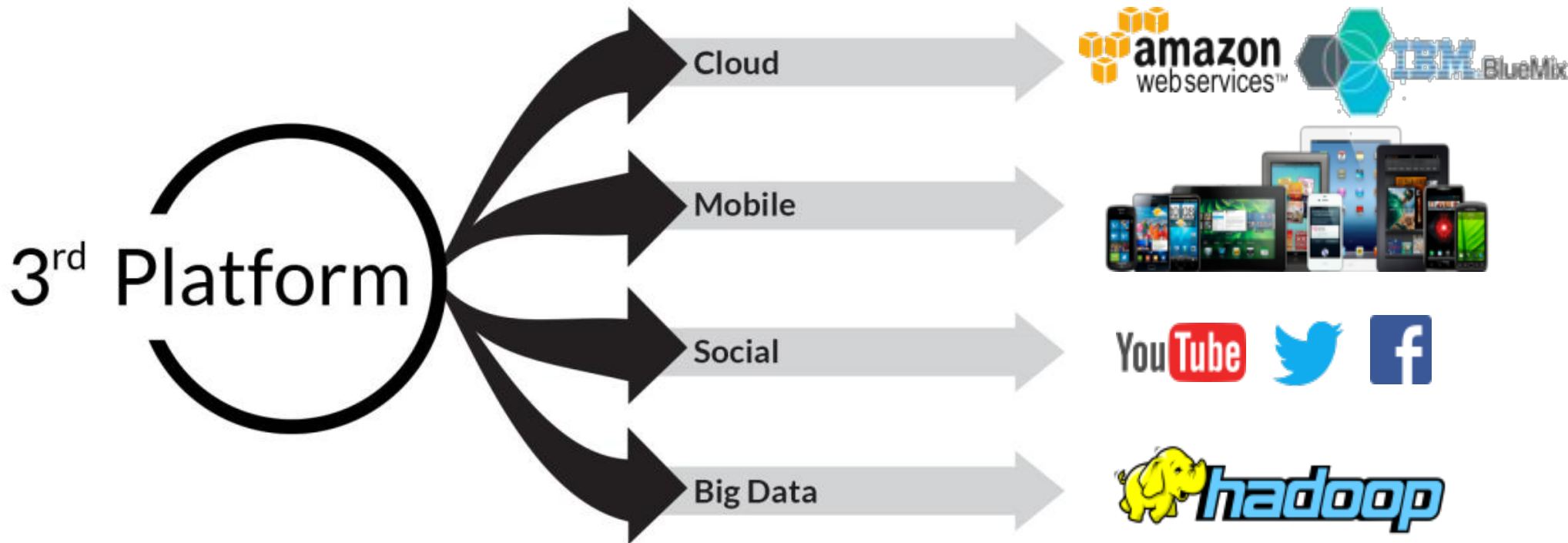
- Rate of change
- Additive impacts
- New business models
- New products & services
- Ethical and moral challenges



Computers outnumber us 10:1



Evolution of the 3rd Platform



Just the tip of the Iceberg!



How do we stay relevant?

The amount of change we will experience **in the next 15 years** will be some multiple of that which we have absorbed since the beginning of the Millennium.

Will existing approaches suffice?

“what we don’t want”



The notion of risk-based approach has been around since the spectacular corporate failures in the early 90s, when ERM frameworks began appearing:

Embedded risk practices

- Strategy
- Governance
- Transformation
- Service delivery
- Security
- Audit

COSO:

- Internal Control – Integrated Framework, 1992 (superseded in 2013)

ISO:

- AS/NZS 4360:1995
- AS/NZS 4444:1996

Maturing risk practices



Maturing risk practices

- Enterprise view
- Appetite
- Metrics & indicators
- Communication
- Culture

Over the last 5 years we have seen significant maturing of risk approaches:

ISACA:

- COBIT 5 for Risk
- COBIT 5 Risk Scenarios

COSO:

- Internal Control – Integrated Framework, 2013

ISO:

- ISO 31000:2009
- ISO 27001:2013

Institute of Risk Management:

- Risk Appetite & Risk Tolerance Guidance, 2013

Unlearning our approach to risk?



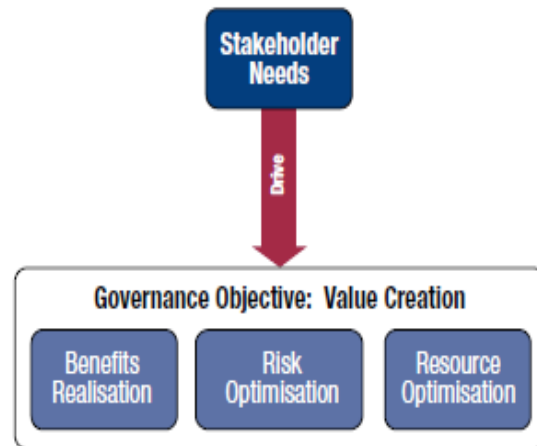
Fostering a culture of innovation

Extract: Innovation Series video from NACD, ISACA & KPMG



Rob Clyde,
Managing Director,
Clyde Consulting
&
International Vice
President,
ISACA

So where to from here?



Value creation

- Benefits realisation
- Risk optimisation
- Resource optimisation

Shifting focus to value-creation through innovation

Evaluating potential for business disruption

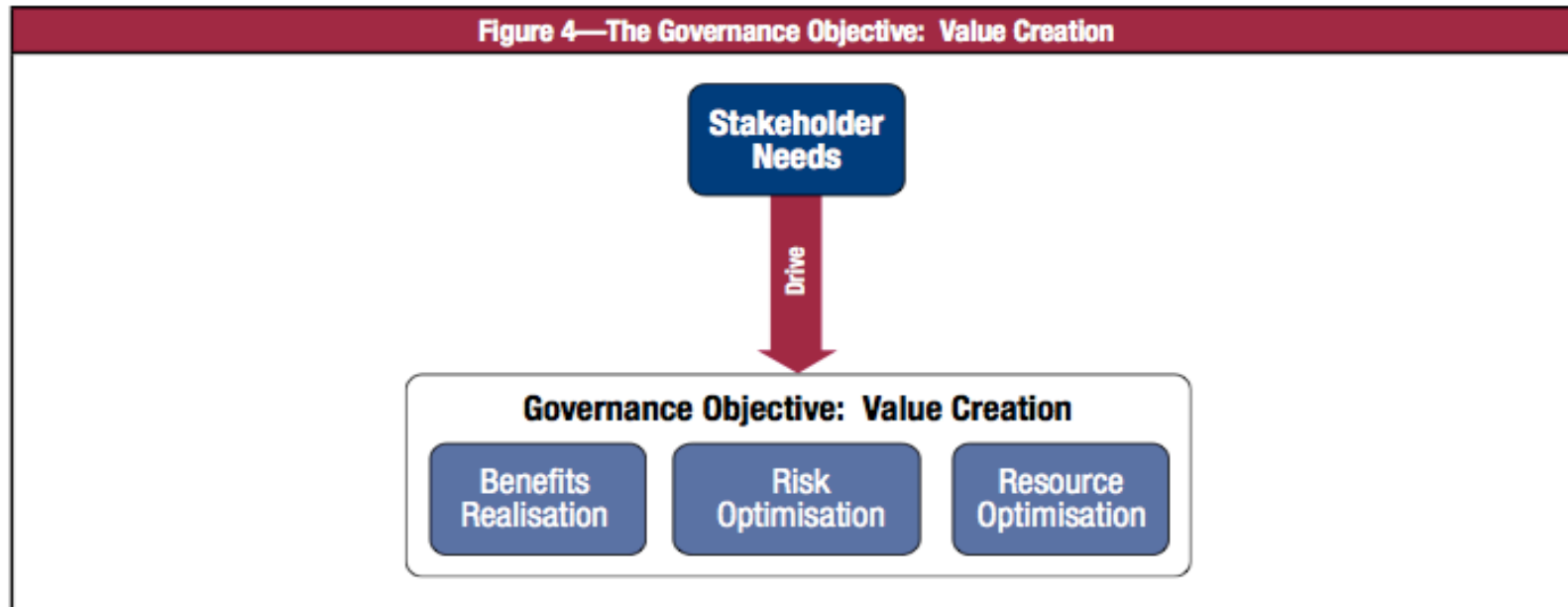
Providing guidance for risk-based decision-making

Innovation and Value

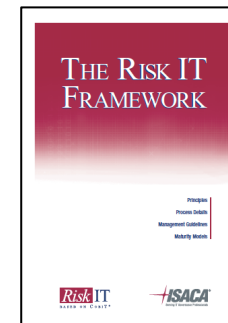
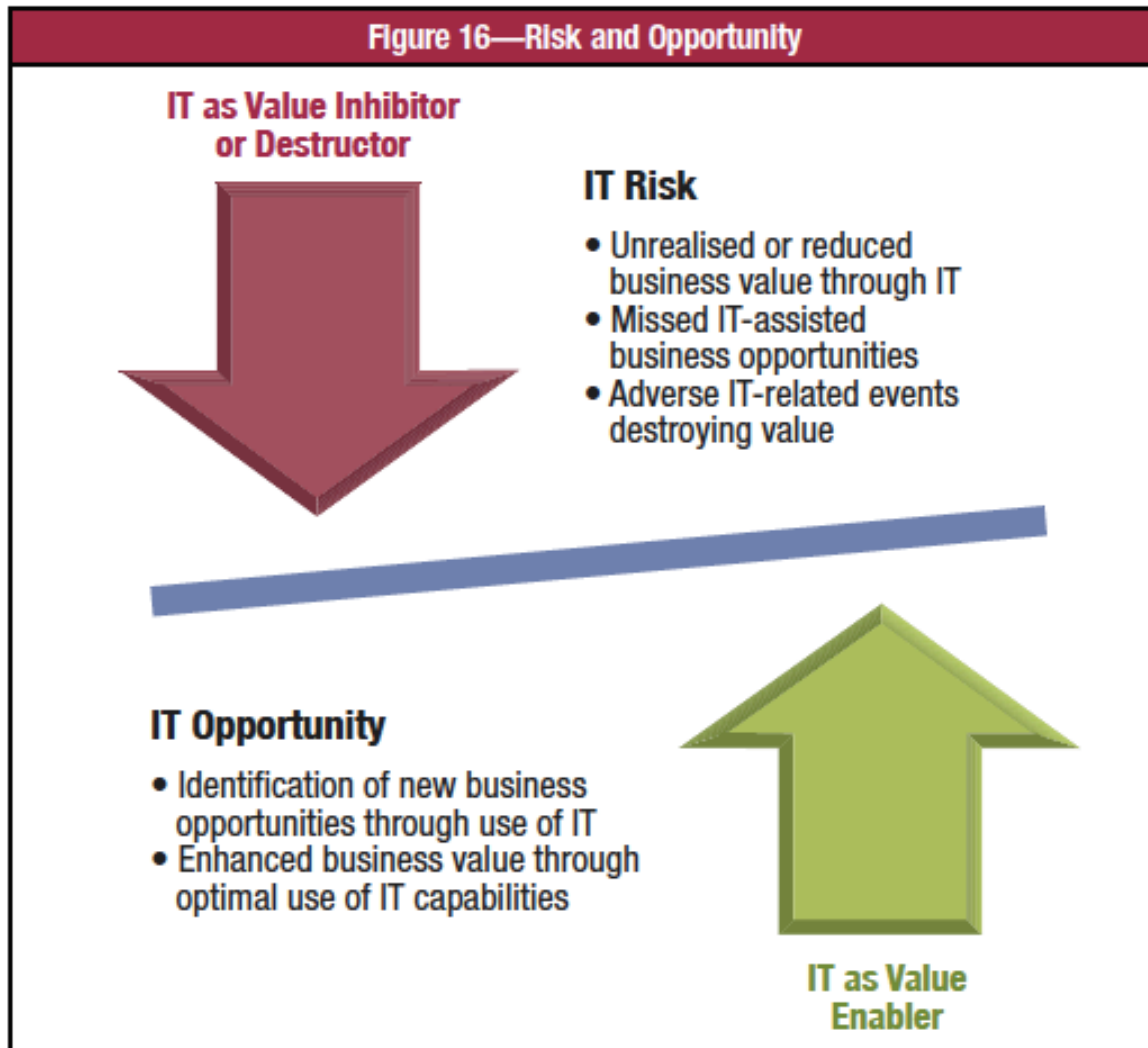


The Governance Objective:

“Value creation means realising benefits at an optimal resource cost **while optimising risk**”



Risk as opportunity



Innovation insights



“Digital technologies will remain a major driver of business innovation for the foreseeable future.

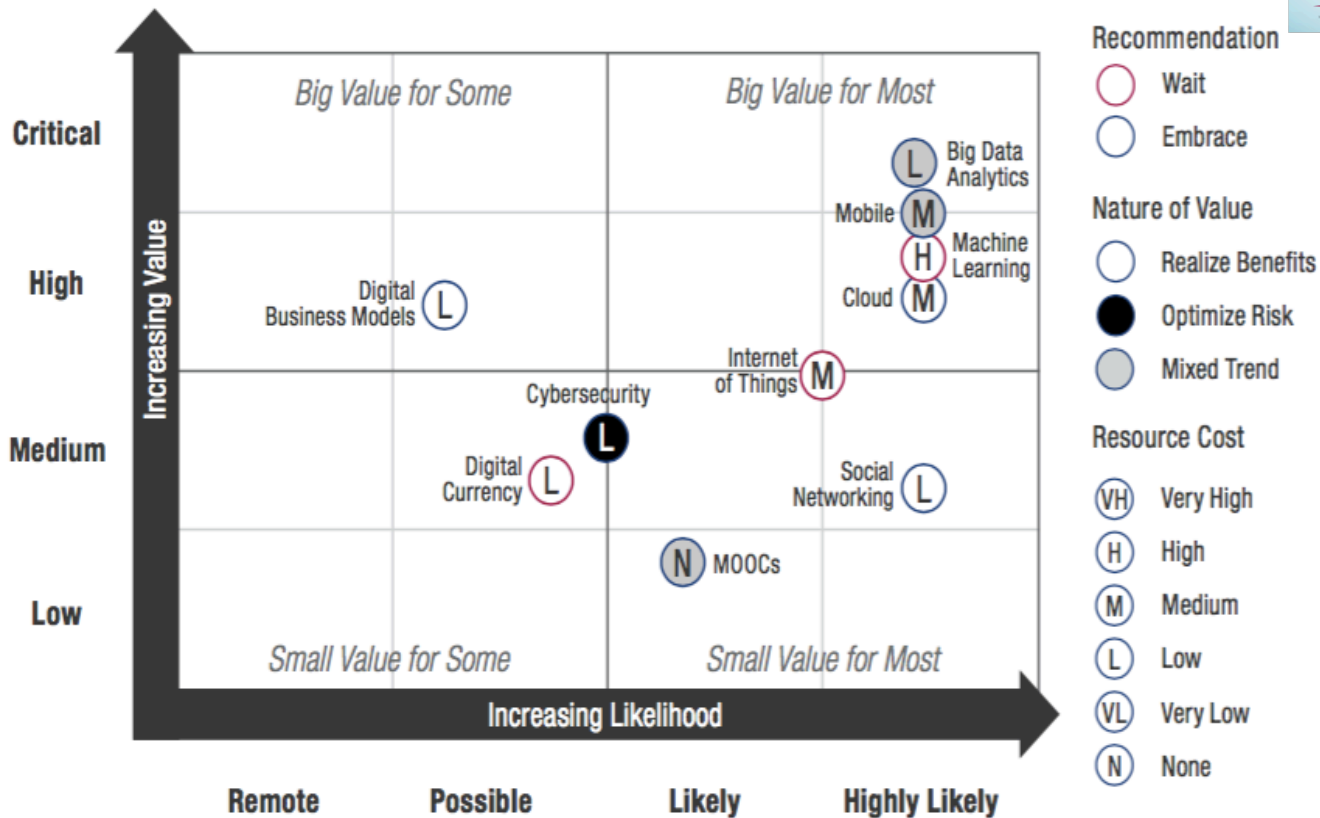
Businesses that innovate around the right trends are more likely to strengthen their competitive advantage and prosper.

Those that don't, won't.”

Innovation insights



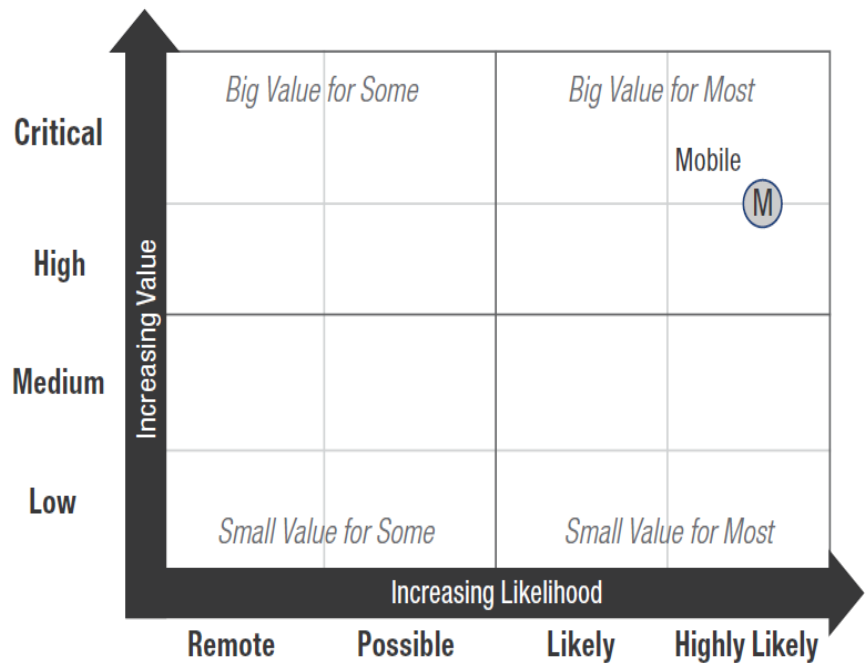
FIGURE 1—Business Value and Percentage of Benefiting Enterprises



1. Big Data Analytics
2. Mobile
3. Cloud
4. Machine Learning
5. Internet of Things
6. Massive Open Online Courses
7. Social Networking
8. Digital Business Models
9. Cybersecurity
10. Digital Currency

<https://www.isaca.org/isaca-insights>

Mobile technologies



Recommendation

- Wait
- Embrace

Nature of Expected Value

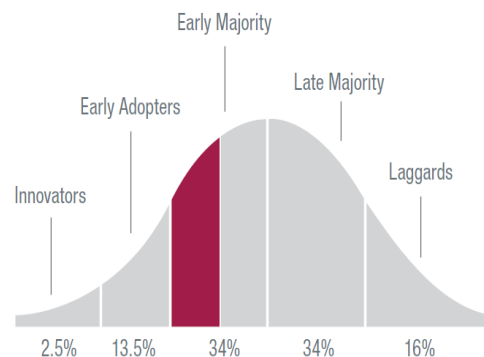
- Realize Benefits
- Optimize Risk
- Mixed Trend
- Game-changer

BUSINESS INNOVATION INDEX* MEDIUM

Benefit Realized	Very High
Risk Optimized	Low
Resource Cost	Medium
Time to Mainstream	Already Mainstream
RECOMMENDATION	EMBRACE

Resource Cost

- VH Very High
- H High
- M Medium
- L Low
- VL Very Low
- N None



<https://www.isaca.org/isaca-insights>

Mobile – business strategy advice

DO	DON'T
Question how current governance processes will extend to increased use of mobile technologies.	Assume that employees will avoid doing business on their personal devices.
Evaluate new risk such as loss or theft of devices as well as expansion of data.	Assume that all existing governance strategies (particularly technology and vendor management) will directly map to the mobile workplace.

BUSINESS STRATEGY

<https://www.isaca.org/isaca-insights>

DO	DON'T
Consider costs and benefits of employee vs. organizational ownership of mobile devices.	Assume that mobile technologies will not have some disruptive effects on your business.
Track success metrics to ensure that value is being achieved in alignment with strategy.	



Key questions for Audit

What is the role of Audit in “innovation and digital disruption”?

How does Audit maintain independence?

Global Look at IT Audit Best Practices

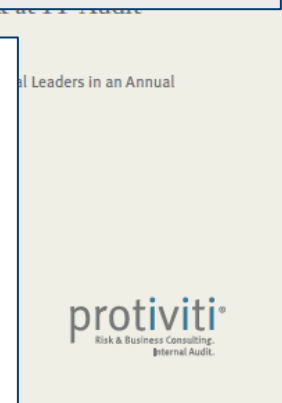
ISACA and Protiviti 2015 survey



Notable takeaways from this year's study

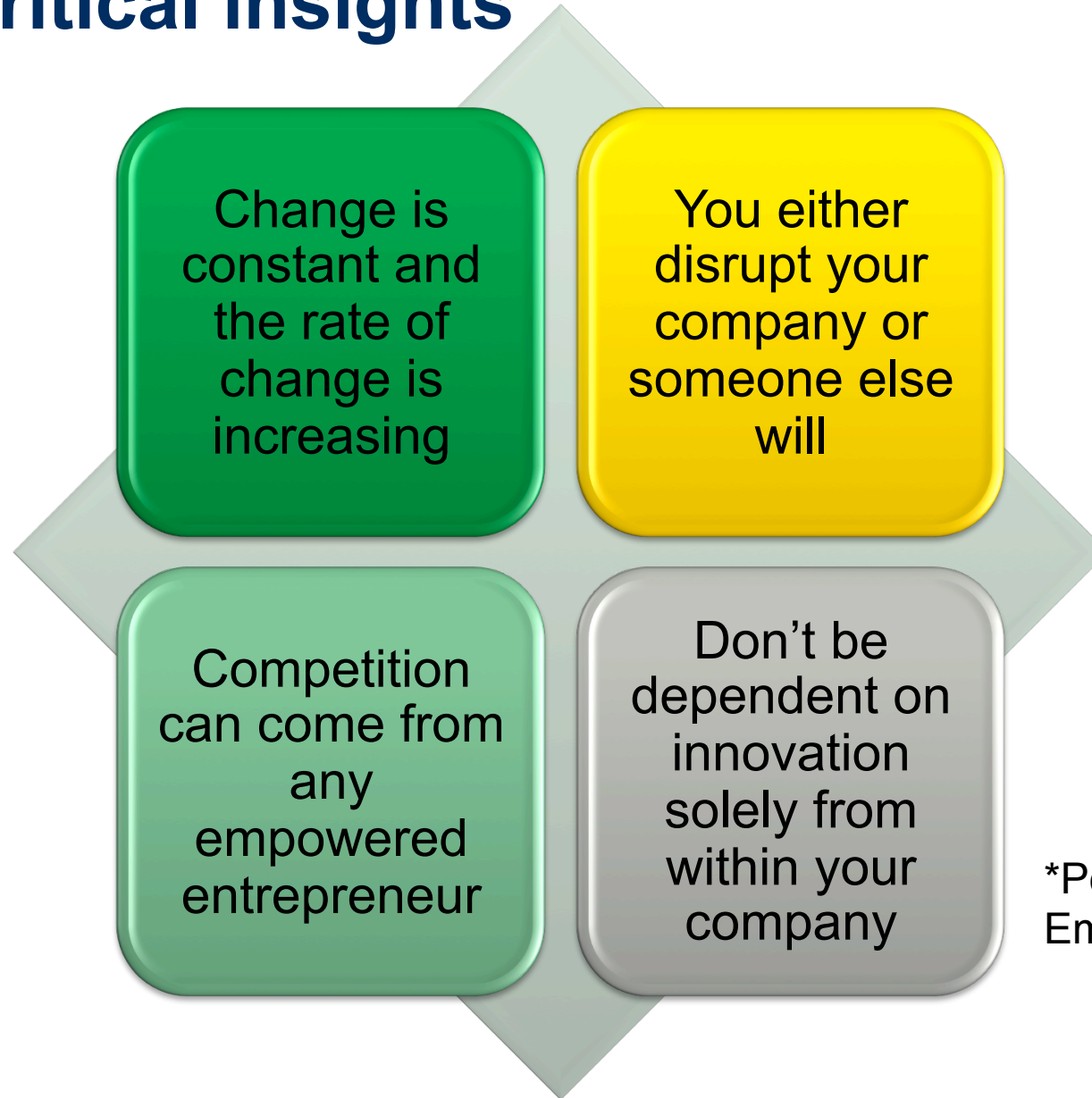
1. **IT changes and security are top-of-mind** – Respondents most frequently cited emerging technology, transformation, innovation, disruption and cybersecurity as their top technology challenges.

According to the results of Protiviti's 2015 IT Priorities Survey, 60 percent of organizations are undergoing a major IT transformation, and for 54 percent of organizations, the duration of IT transformation is expected to be a year or longer.¹ As companies embrace new technologies, IT auditors must strive to understand how new technological developments and trends impact their organizations and how they influence the ongoing effectiveness of the overall IT entity-level controls and IT process-level controls. They also must understand the organization's exposure to cyberthreats, as well as impacts on the viability of the business model. As technologies change, an effective IT audit risk assessment must address the potentially disruptive change for businesses, pushing the subsequent audit plan into uncharted territory.



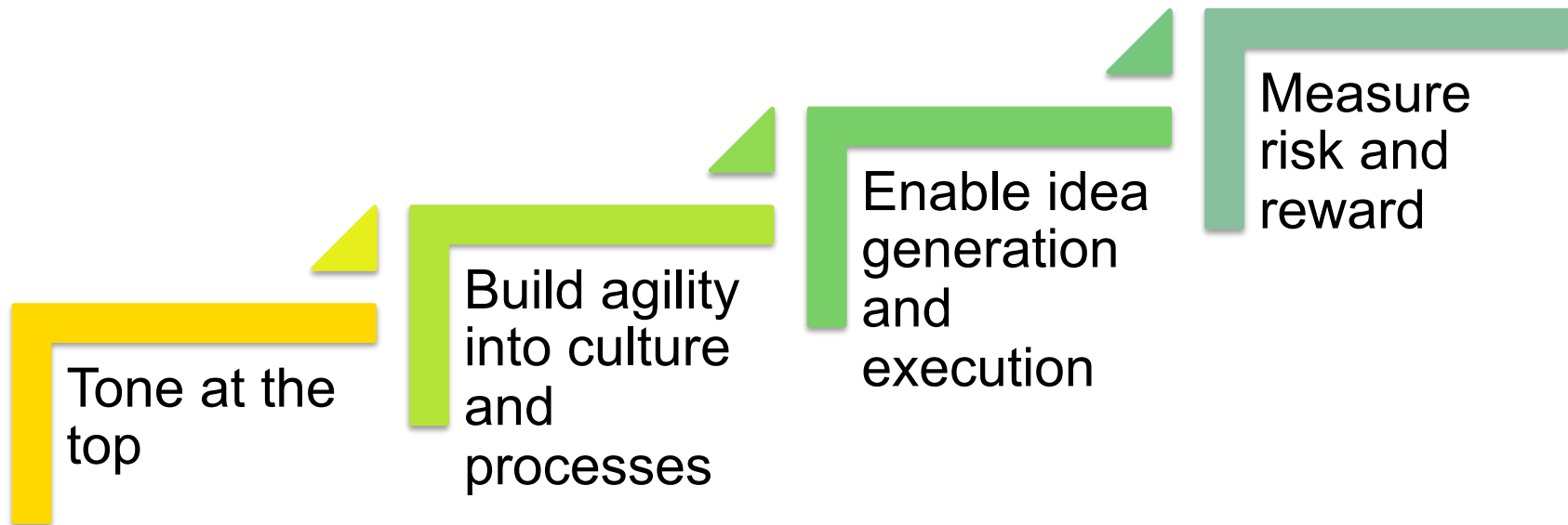
www.isaca.org

Four critical insights*

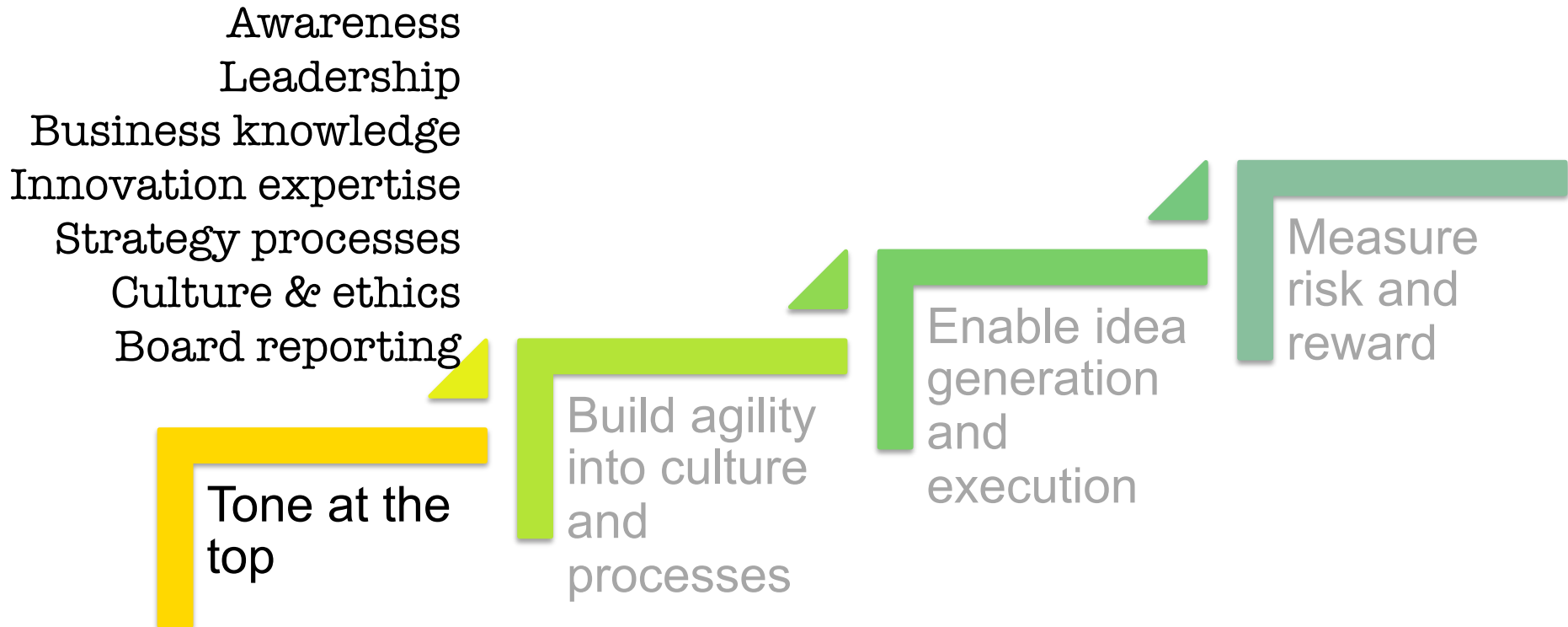


*Peter Diamandis, Embracing Disruption

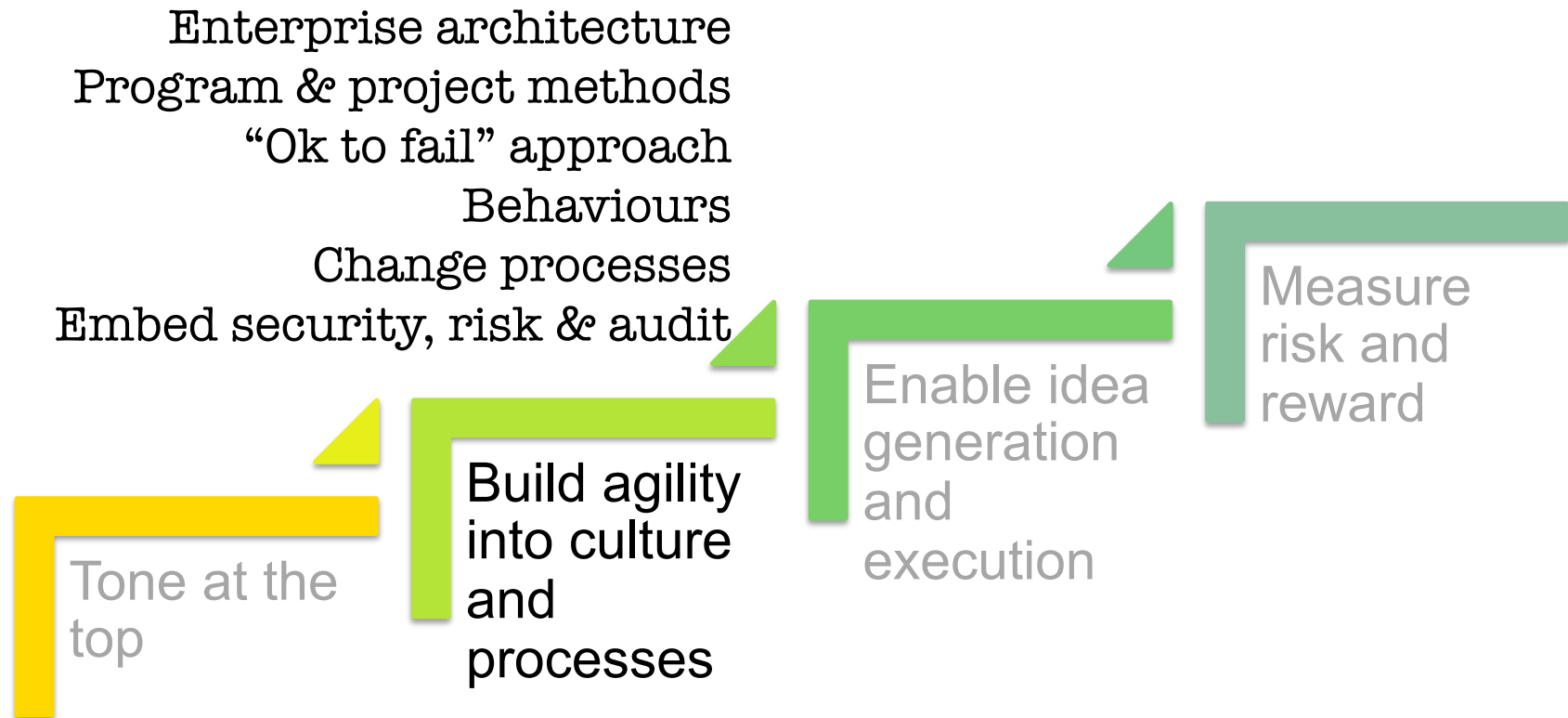
Building an innovation capability



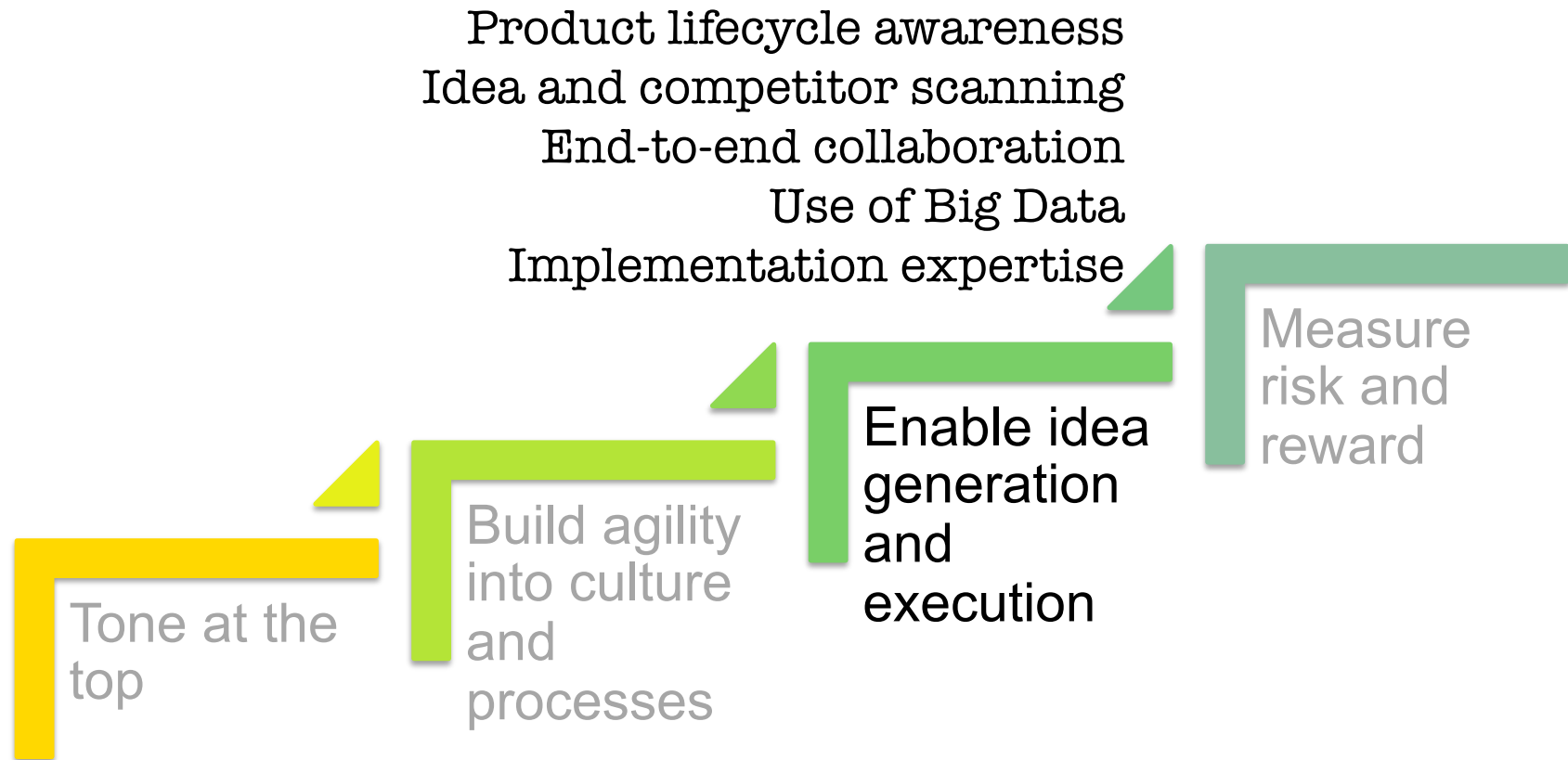
Building an innovation capability



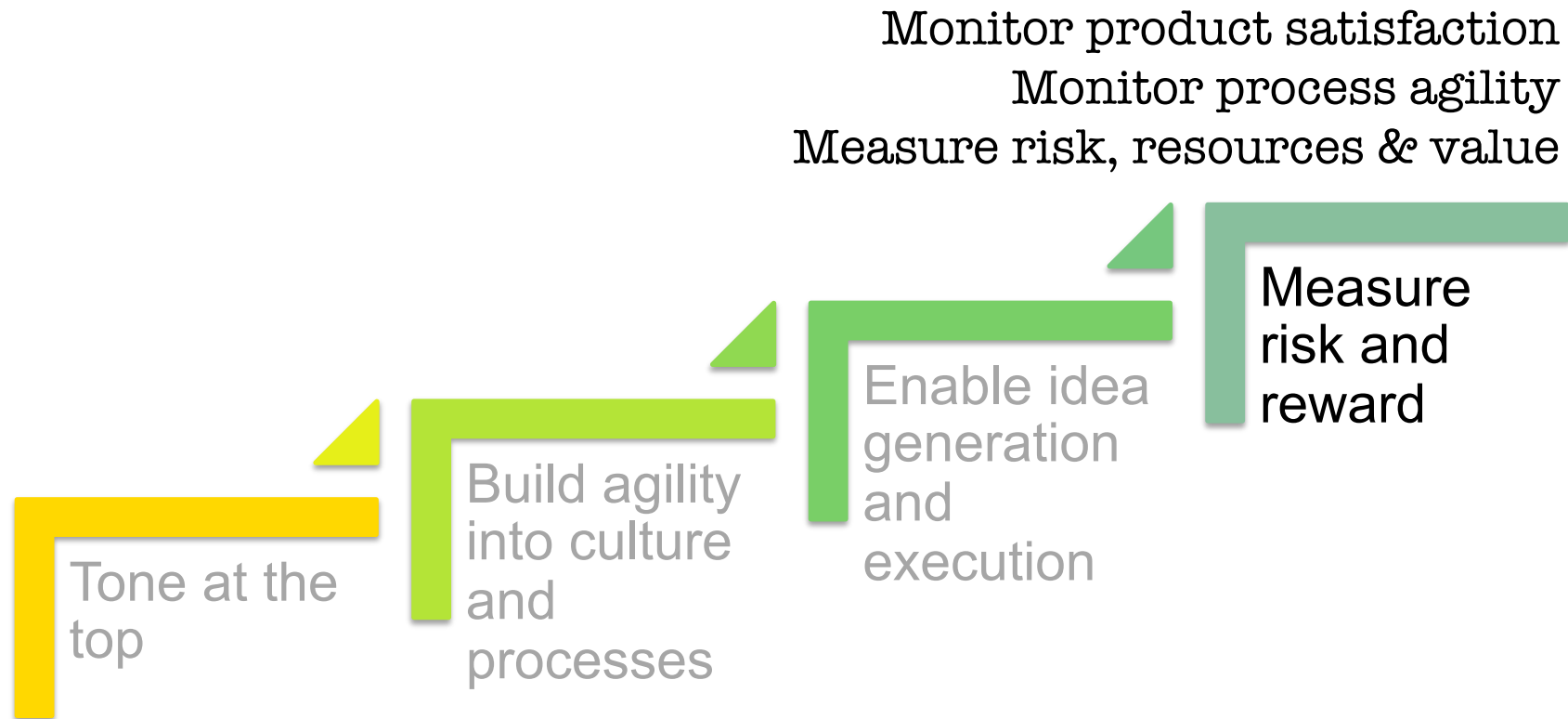
Building an innovation capability



Building an innovation capability

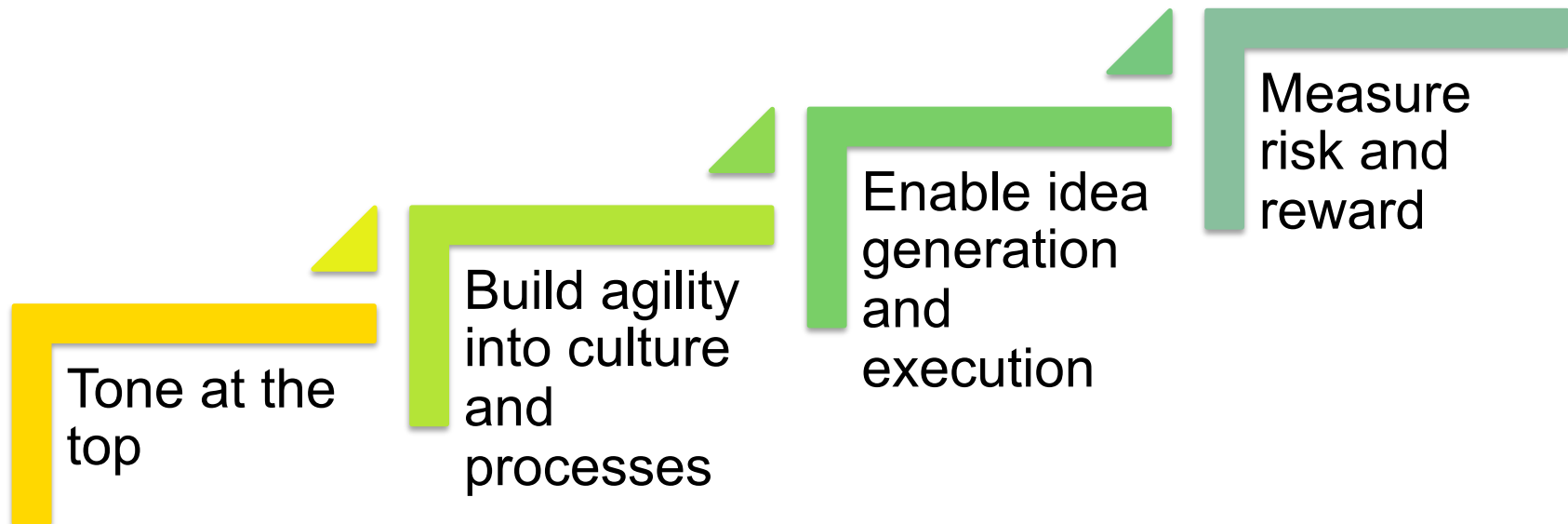


Building an innovation capability



Assessing innovation capability

What role should Audit play in digital disruption and enterprise innovation?



Assessing innovation capability

Awareness

Leadership

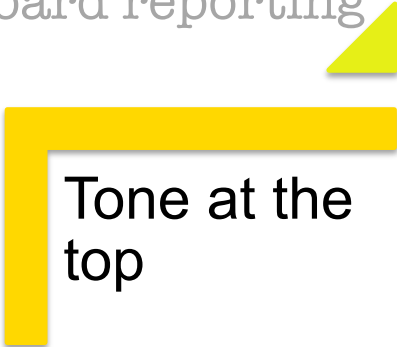
Business knowledge

Innovation expertise

Strategy processes

Culture & ethics

Board reporting



Tone at the top

Audit Objectives:

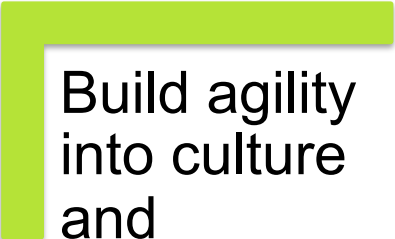
- Determine whether the capability for identifying and adopting innovative and/or disruptive change exists and delivers value to the business.

Potential audit areas:

- Review strategy development process for assessment of disruptors and direction
- Review strategic risk management processes
- Review ERM methodology for positive risk/opportunity approach
- Identify organisational inhibitors to innovation and change
- Review Board reporting on strategic risk and disruptors

Assessing innovation capability

Enterprise architecture
Program & project methods
“Ok to fail” approach
Behaviours
Change processes
Embed security, risk & audit



Build agility
into culture
and
processes

Audit Objective:

- Determine whether the capacity for absorbing innovative and disruptive change is likely to minimise disruptive risk and take advantage of insights.

Potential audit areas:

- Review Enterprise Architecture for currency, flexibility, dependencies
- Review program/project methods for agility and success measures
- Review governance over, and learning from, stopped projects
- Review role of security, risk and audit in projects

Assessing innovation capability

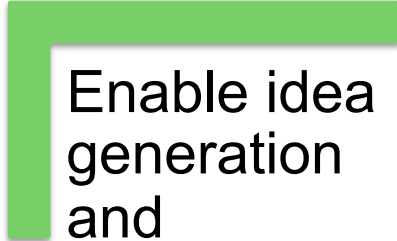
Product lifecycle awareness
Idea and competitor scanning
End-to-end collaboration
Use of Big Data
Implementation expertise

Audit Objective:

- Determine whether processes for ideation and executing innovative and disruptive change deliver value

Potential audit areas:

- Review product lifecycle management and business model
- Assess security within ideation
- Audit of veracity of “Big Data” outputs



Enable idea generation and execution

Assessing innovation capability

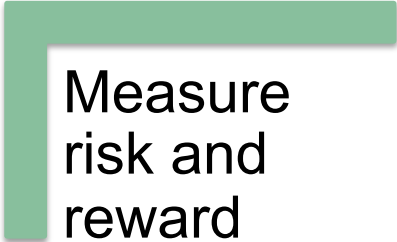
Monitor product satisfaction
Monitor process agility
Measure risk, resources & value

Audit Objective:

- Determine whether the processes for measuring and reporting innovative and disruptive change are likely to provide timely and reliable strategic insight

Potential audit areas:

- Review product measurement and customer satisfaction assessment processes
- Review innovation and disruptive change programs for insights



Measure
risk and
reward

Risk in an age of innovation

