

Trends in risk management | Digital

Part of the sector-wise risk management series by MGC Global

In our recent webinar on industry specific risks and mitigating measures (*current & emerging*), we were fortunate to have **Mr. Vikas Wadhawan** (*Group CFO, Housing.com; PropTiger.com; & Makaan.com*) provide his perspectives on specific risks relating to the digital space that were outlined by our experts. This thought leadership provides an overview of the same.

Context

The digital space is a constituting agent for a full-fledged revolution and a key driver of convergence. Cross-industry collaborations in this sector have given way to new revenue streams and multiple novel niches. The numbers speak for themselves - the global digital economy is estimated to be worth US\$ 15 trillion currently and growth in this space has outstripped the global GDP by two and a half times over the past 15 years.

With its forward looking policy regime, India is well positioned to capitalize on the market opportunity in the burgeoning global digital arena. This financial year's budget announcements were reflective of the Union Government's intentions to garner as well as sustain focus on digital start-ups. Key highlights such as the concept of 'Web 3.0', emphasis being laid on gaming and setting up of virtual worlds, introduction and promotion of digital currencies and digital assets were a consequence of public inclination towards accepting and accelerating digitization in forms other than conventional.

Main risks

- a) **Inability to keep pace with technological developments** | Technology is the backbone of the digital world, which keeps the ecosystem functioning and enables transformation of business models to upgrade user interface, in order to gain and retain a competitive edge.

Scalability, compatibility, upgradation and accuracy of functionality are prime factors. In this context the key risks of business resilience emanate from the ability of digital businesses to (a) keep pace and proactively adapt cutting edge technologies; & (b) proactively address their susceptibility to potential technology failures.

Apart from research and development, mitigating measures entail optimization of engine algorithms, securing backlinks from reputable sources, enhancement of backend architecture (*including the IoT architecture for data collection and management of remote systems*) and an ongoing re-engineering of the system frame (*comprising people, processes, infrastructure & dataflows*). These measures should seek to insulate operations and front end digital engagement channels (*such as social media, domains and mobile applications*) from technology risks.



Trends in risk management | Digital (cont...)

Main risks (cont...)

- b) Competitive pressures** | The rapid expansion of the sector means that there will be new entrants and innovation (*such as no click searches, voice searches, automated and smart bidding, single-axis, AI-enabled robotics, exoskeletons etc.*) from these and within the current competitive landscape. Consumer preferences are expanding with the variety of options flooding the base. The main risk in this context is loss of market share and in this context front-end consumer orientation through studies and research on consumer preferences and habits is imperative to define and progress through the value chain.
- c) Inability to keep pace with technological developments** | Technology is the backbone of the digital world, which keeps the ecosystem functioning and enables transformation of business models to upgrade user interface, in order to gain and retain a competitive edge.

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- d) Cyber compromises and reputation damage** | With the internet's prominence broadening progressively, cyber incidents are soaring on one part and deepening in terms of their intensity on the other.

Compromised confidentiality and data leakage are the two heads of a deadly spear, whose strike translates into long-term brand damage with detrimental consequences. Protecting systems and networks is an imperative for which regular VAPTs and cyber risk assessments should become a norm.

- e) Monetary frauds** | Fraudulent practices such as soliciting personal data through phishing and hacking systems via routers, webcams, emails and jail-broken phones have deepened in nature, exacerbating the damage that is caused by the same.

Directive mitigating controls are best measures for defense with enhanced awareness through training and alerts on fraud attacks that are taking place and changing their complexion by the day. Focused workshops and expert consultations in this regard can secure businesses to a large extent while enhancing data hygiene.

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Main risks (cont...)

- f) **Compliance risks** | In an increasingly regulated landscape, identification and management of the current and evolving set of regulations places the onus on the shoulders of the management of digital companies.

Assessing the regulations that may apply to an organization is no easy feat, with multiplicity of frameworks and regulations (*such as CCPA, COBIT, COPPA, CIS controls, GDPR, GLBA, HIPPA, ISO, NIST, PCI-DSS, SOC, etc*), many of which have overlapping provisions.

Staying up-to-date on such a complex subject requires reading and interpreting each individual requirement, undertaking a readiness assessment of the one/s that apply to your organization, empowering/equipping your risk management and compliance professionals to manage the same and undertaking internal audits to monitor the nature and extent of compliances.

Your compliance program should not be a 'once done-and-closed process' - this needs to be ongoing in nature.



Contact us

Should you wish to discuss any of these and other risks specific to your organization, please do not hesitate to contact us at contactus@mgcglobal.co.in.

About MGC Global

Recognized as one of the '10 most promising risk advisory services firms' in 2017, as the 'Company of the Year' in 2018 & 2019' (both in the category of risk advisory services), one of the 'Top Exceptional Companies to Work For' in 2020 and amongst the 'Top 25 Customer Centric Companies' in 2020 and 'The Consultant of the year' in 2021 (in the category of risk advisory services); MGC Global is an independent member firm of Allinial Global.

MGC Global provides services in the areas of enterprise-wide risk management, control assessments (*SOC, IFCR & SOX*), internal audits, process re-engineering, governance frameworks, IT advisory, GDPR & data protection readiness, cyber security, CxO transformation and forensic services. Our Firm has the capabilities to service its clients through its offices in Bengaluru, Mumbai, NCR; and has service arrangements with its associates in all major cities in India.

About Allinial Global

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